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The Economic Ideas of Bernard W. Dempsey, S.J.

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The Economic Ideas of Bernard W. Dempsey, S.J.

By Perry J. Roets, S.J.
Bernard W. Dempsey, S.J.
(1903-1960)

Bernard W. Dempsey, S.J. demanded much of himself, and was often heard to say "one who is not willing to put himself out for others just has not in himself the making of a man." In his daily life, Father Dempsey fulfilled his own standards without reserve. His was a lifelong consuming desire to draw all to the praise, reverence and service of God, especially through academic endeavors, and by this means to prepare mankind for the Kingdom of God.

Bernard W. Dempsey, S.J., an established authority on socio-economics, published in his lifetime 52 articles in magazines and journals. He is the author of several important books including *Interest and Usury; The Functional Economy; and The Frontier Wage.* In addition he co-authored such books as *Reorganization of the Social Economy; Planned Society,* and *Big Business Methods for the Small Business.*

Father Dempsey had a distinguished teaching career including Professor of Economics at St. Louis University and later Marquette University. Bernard Dempsey, S.J. held a Ph.D. degree from Harvard University and an honorary doctorate from St. Louis University. In addition he has been a University Fellow at Harvard, a lecturer in economics at the University of New Delhi, President of the Catholic Economic Association, and recipient of numerous other offices and honors.

At the time of his death (1960), Father Dempsey was Director of the Department of Economics at Marquette University. Previously, he had been Director of the Department of Economics and Regent of the School of Commerce and Finance at St. Louis University.
ECONOMIC IDEAS
OF
BERNARD W. DEMPSEY, S.J.

by
Perry J. Roets, S.J.

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PREFACE

A study of B. W. Dempsey's contributions to the socio-economic field seems varied and great. Certainly, the thousands of interviews and letters, often to prominent men, in themselves deserve to be recognized as an outstanding contribution in the field of social endeavor. His sound advice, his counsel, and his academic direction were eagerly sought for and just as freely given, though often, unbeknown to others, at a terrible toll on his physical powers. He demanded much from himself and frequently was heard to say: "ONE WHO IS NOT WILLING TO 'PUT HIMSELF OUT' FOR OTHERS JUST HAS NOT IN HIMSELF THE MAKINGS OF A MAN."

Our study necessarily confines us to a study of his scholarly contributions in the field of socio-economic ideas. Four main categories of endeavor strongly suggest themselves: his own framework of socio-economic thought; his doctrine on just price; his recognized contribution in the field of interest and usury; and, lastly, his mature thought on just wage. Undoubtedly, his main contribution in the field of socio-economic thought lies in these spheres.

In a study of B. W. Dempsey's writings, some are puzzled not by what he says, but by what he does not say. It is important to remember that in his writings he assumed much Scholastic tradition and made the thought of Joseph Schumpeter and to a lesser degree that of Heinrich von Thünen his own. This is true to such a degree that to fully understand B. W. Dempsey one would be wise to treat the Theory of Economic Development by Joseph A. Schumpeter as part of B. W. Dempsey's basic economic thinking. In his own writings he saw no need to repeat the ideas contained within this book that were already so well-said and that he so firmly held himself. His thinking owes most to these three: St. Thomas Aquinas, Joseph A. Schumpeter, and Heinrich von Thünen.

To facilitate accurate and expeditious indication of footnotes, references to each of B. W. Dempsey's three most important works will be abbreviated by means of a single letter: The Functional Economy -- [F]; Interest and Usury -- [I]; and The Frontier Wage -- [W].
INTRODUCTION

Task and Method

B. W. Dempsey directed nearly all of his extensive writings on economic and social matters toward the solution of practical problems. Yet one would be mistaken to accuse him of being primarily interested merely in practical problems as such. Always the academic economic analyst and social philosopher, practical problems provided his keen analytical mind with the opportunity of seeing the principles embedded in them. He took a keen delight in sketching and bringing forth these principles, as the purpose of all his analysis and writings was the "necessity of and the means for improvement of the economic community, the great the challenge that lies in man's call for the restoration of social order, the historical development of man's moral attitude toward economics" [F,V]. All of this analysis he endeavored to accomplish in the light of sound economic theory and traditional Scholastic philosophy. He set before himself the large task of "examining systematically the forces and facts present in every real, working economy" [F,V]. His endeavor was the balanced approach, to "project the ideal situation, which intelligent adherence to the enlightened teachings of the Church and constant awareness of the lesson of history can achieve, against the background of historic and existing economic communities" [F,V]. To present the principles necessarily underlying any economic community because these were necessary for its long-run improvement was both the purpose of his life's endeavors and within must lie his contribution and his influence as well.

The Purpose of This Study

Hence, the chief purpose of this study is threefold:

1. To investigate whether or not a common set of unifying principles runs through B. W. Dempsey's social and economic writings; and

2. whether or not within this framework of thought he made certain outstanding recognized contributions in socio-economic thought; and (if the answer is affirmative)
3. to investigate further in what precise elements (e.g., just price, interest and usury) these contributions in thought and influence can be claimed to exist.

It is hoped that in the search for a unique synthesis and for the main contributions this study will also be able to make some evaluation of this synthesis and of those contributions of thought and influence which are treated.
PART I
Chapter One

THE LIFE AND TIMES OF BERNARD W. DEMPSEY

1. Life Statistics
2. Early Life (1903-1920)
3. At Marquette University (1920-1922)
4. Early Jesuit Years
5. Jesuit Studies
6. Theology (1932-1936)
7. Ordination (1935)
8. At Harvard University
9. Group Discussion and Social Justice
10. Dempsey's Dissertation
11. At St. Louis University (1940-1951)
12. Nirmola College (1951-1953)
13. At Marquette University (1954-1959)
16. His Death (1960)
17. Jesuit, Priest, and Scholar
There are people who make a difference in this life. B.W. "Bud" Dempsey was one of them.

B.W. Dempsey spent much of his active life dealing with those who "seek honors, reputation, and the credit of a great name upon earth." He strove to lead them to embrace the good. Whether it was Prime Minister Nehru, with whom he had frequent contact while in New Delhi (1951-1953), or then Vice-President Nixon, with whom he exchanged letters on social and economic matters, or a world authority in the field, Joseph Schumpeter, who thanked him publicly for his assistance, or some unknown college freshman, Father Dempsey gave of himself without reserve. His was a lifelong consuming desire to draw all to the praise, reverence and service of God, especially through economic endeavors, and by this means to prepare mankind for the kingdom of God.

2. Early Life

Bernard William Dempsey, the youngest child of John Michael and Caroline Welsh Dempsey, was born in Milwaukee on January 21, 1903, almost within sight of Gesu Church. He was baptized at Gesu, from which fifty-seven and one-half years later he was buried. Only two years after his birth his father died as a result of exposure during a fire in the family furniture establishment. Mrs. Dempsey was forced to go to work. Hired by Marquette University, she began a lifetime connection for herself and for Bud and his two sisters.

As soon as he was old enough, Bud augmented the family income by working after school hours. He entered the Old Marquette Academy in 1916, participating in many school activities. He was a talented student, president of his class, and an ambitious worker. In 1920 he enrolled in Marquette's School of Journalism with plans to enter the newspaper field. He already held the job of Assistant Circulation Manager for the local Milwaukee Sentinel.
3. At Marquette University (1920-1922)

In his freshman year, because of his mother's declining health, Bud was obliged to curtail his extracurricular activities at college to be free to help care for her. At the end of his sophomore year, his mother died. This same year (September 2, 1922) he entered the Society of Jesus (Jesuits).

4. Early Jesuit Years

During his novitiate and his first year of juniorate (third year as a Jesuit) B.W. Dempsey was plagued by ill health and defective eyesight gave him trouble. In later years, students would approvingly observe that his eyes gave him the look of a wise old owl. He had inherited, too, a tendency to chronic bronchitis, which forced him to spend long months in the infirmary. Throughout his life he had recurring chronic bouts with bronchitis.

5. Jesuit Studies

The Jesuit juniorate is ordinarily the third and fourth year of Jesuit studies, with emphasis on Latin, Greek, English, and modern languages. In the juniorate, in spite of poor health, B.W. was brilliant in his studies. After only one year, though, his juniorate studies were interrupted and due to poor health he spent the year teaching history at Regis College, Denver.

Much improved after two years, Dempsey returned to St. Louis to take up his philosophical studies. With his keen analytic mind, philosophy was a joy, yet it did not completely occupy his time. Appreciation of the need for scholars academically prepared in all fields, especially in the social sciences, brought about his request to go into economics. His superiors, realizing how brilliant he was both in languages and philosophy, were reluctant to grant this. With some misgivings, they allowed him to profit by the opportunity as a resident at a university and to "try" graduate studies in economics. None were ever sorry!

Finished with philosophy and equipped with a master's degree in economics, B.W. Dempsey spent the following two years teaching mainly history at the high school level. In later years, his excellent grasp of history made others think that his field was primarily
history, not economics. All of his life he concentrated on economic thought and historical development, following in the steps of his mentor, Joseph Schumpeter. Frequent discussions on historical topics with his life-long friend, the eminent historian Joseph Donnelly, S.J., sharpened his skills. After two years, steeped in the daily teaching of history, he moved on to theological studies.

6. Theology (1932-36)

In 1932, B.W. Dempsey began his theological studies at St. Mary's College in Kansas. Here he revived old seminary friendships, while "pushing" the need to study economics for an adequate response to social problems among his fellow theologians, especially Leo Brown, S.J. Quadragesimo Anno (1931) had come out the previous year, the 40th anniversary of Leo XIII's Rerum Novarum (1891). This encyclical sparked renewed interest in economics and social justice among Catholics throughout the world. Under the leadership of B.W. Dempsey a number of St. Mary's theologians, notably Leo Brown, became intensely interested in social justice and economic problems.

While the seminarians seemed far from the firing line, they were quietly forming a nucleus of intellectuals who were destined to make a real difference in American Catholic social teaching. A seminar group that included B.W. Dempsey, Leo Brown, and Thomas Divine began to research the economic teachings of the lesser-known but important early Jesuit scholars, such as Leonardus Lessius (1554-1623) and Luis de Molina (1535-1601). At the same time they formulated tenets to support a "Catholic" approach to problems of social justice. Among the first topics handled by this seminar nucleus were questions of a just price and interest and usury.

The two encyclicals, the subsequent arrival of economics as a practical discipline, the rise of Keynesian ideas for government intervention in economic planning, and the New Deal of President Franklin Roosevelt encouraged the Catholic hierarchy to seek Catholic scholars for the social field. There were few Catholics trained in social thought, even at Catholic universities. The superiors of the American Jesuits saw the need and decided it was time to train young Jesuit priests in social studies, aiming at the art/science of economic thinking.
During his four years of theology, B.W. Dempsey instituted a seminar among those theologians who were interested in studying the papal encyclicals and the Scholastic economists. Among other life-long advantages, B.W. Dempsey's seminar brought about an enduring friendship with his colleague, Leo Brown, S.J., affectionately known as "Browny." Out of this seminar, too, came Dempsey's book entitled Reorganization of Social Order, a badly needed commentary in English on the social encyclical Quadragesimo Anno. The encyclical was written in 1931; Father Dempsey published his commentary in 1936, the year he finished theology.

Obviously, the St. Mary's nucleus was a likely group to make a start. As soon as B.W. Dempsey, Leo Brown, and Thomas Divine were ordained, all three began doctoral studies in economics. Thomas Divine (1900–1979) went to the London School of Economics, while Leo Brown and B.W. Dempsey, arriving together at Harvard University, cemented a life-long close friendship. Whereas in the 1930's the Church in America had been concerned primarily with social action, in the 1940's, largely through these three professional priest economists, the Church sought and attained more solid research roots. The priest economists fostered understanding in the Church of the economic forces behind the socio-economic environment. The prestigious academic credentials of these Jesuit economists made it more likely that the counsel of the Church would be heeded in seeking solutions to nationwide economic problems.

To understand B.W. Dempsey's early years (1922-1937), it must be remembered that the Society of Jesus as founded by St. Ignatius Loyola (1491-1556) made rigorous demands on its members' formation for the sake of later effective evangelization. The seminary life that B.W.

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1 Thomas Divine, S.J. after doctoral studies went to Marquette University where he remained for most of his life, first as Chairman of the Economics Department and Director of the Labor School, then as Dean of the College of Business Administration. He is the founder of the Catholic Economic Association and for many years edited their Review of Social Economy. He welcomed B. W. Dempsey to Marquette in 1954, and as Dean he immediately appointed B. W. Dempsey to be Chairman of the Economics Department.
Dempsey led involved a strict regime of spiritual exercises and study in an atmosphere of separation, solitude, and silence. One major purpose of the discipline was to bury self. What went on outside seminary walls for a number of years, therefore, was not "real" to B.W. Dempsey. On one occasion, with a chuckle, B.W. Dempsey recalled how he mentioned to an acquaintance that he has not kept up with events "since he left the world." The amazed acquaintance asked him where in "heaven" he thought he was at this moment!

His scholastic years coincided to a great extent with the great depression years. In a real sense, though, the great depression passed B.W. Dempsey by. For him it was an historical event; academically, a business cycle, not a personal experience. He had surprisingly little sympathetic understanding of the scars resulting from deprivations of this depressing period. His sole personal contact with poverty was at his father's death, and this he asserted was overcome by "a willingness to work." He never fully appreciated that at the depth of the depression there were no jobs available.

His appreciation of events, situations, and even principles was highly conditioned by his personal experiences. For example, B.W. Dempsey went beyond ordinary criticism of Keynesian theory and policy. To him the whole Keynesian revolution was something foreign. He was uncomfortable with it, for he had finished his economic studies at the beginning of the Keynesian era, and always felt that he had "escaped" its popular appeal tentacles. In this regard, with obvious approval, B.W. Dempsey quotes Schumpeter (History of Economic Analysis, p. 121): "The much greater success of Keynes's General Theory is not comparable" (to Chamberlin, Hicks and Hayek's theoretical books) says Schumpeter, "because whatever its merit as a piece of analysis may be, there cannot be any doubt that it owed its victorious career primarily to the fact that its argument implemented some of the strongest political preferences of a large number of modern economists. Hayek's swam against the stream." B.W. Dempsey points out that while their roots are similar, the analytical works of Chamberlin, Hicks and Hayek are superior (The Functional Economy, p. 15-16).
7. Ordination 1935

B.W. Dempsey was ordained in 1935 and celebrated his first Solemn Mass, predictably, at Gesu Church in Milwaukee. By this time he was already well versed in several languages (Latin, Greek, French, German, and Spanish), possessed an excellent background in history and the social encyclicals, had done brilliant studies and had earned a master's degree in economics.

8. At Harvard University

B.W. Dempsey was content to be assigned to special studies in economics. He chose Harvard's Graduate School principally because of his high regard for Joseph Schumpeter, the famous Chairman of Harvard's Economics Department. He was also influenced by respect for his friend "Browny" (Leo Brown, S.J.) who had already chosen Harvard. In later years, Bud admitted that a Harvard degree gave him added status, but always denied that his education in economic history or economics came from his Harvard years. "My previous studies at several Jesuit universities had already completed my real education." Perhaps with tongue in cheek, Father Dempsey liked to boast that he had not made a mistake in basic education, for example in English grammar, in over twenty years. No one dared to challenge him.

During his three years at Harvard (1937-1940), he held a scholarship every year except the first. He soon became known at Harvard Graduate School as a scholar to be respected, a priest to be admired. On one occasion he challenged his history professor on certain facts and interpretations of Scholastic economic thought. As Joseph Donnelly tells it, "Needless to say, Bud won the fray and day." His work at the school restored to respectability Catholic economists in the Scholastic tradition of Lessius, De Lugo, Molina, Christian Pesch, and others.

9. Group Discussion and Social Justice

In the 1930's Harvard University's economics faculty boasted some prominent names, Joseph Schumpeter (economic development, 1883-1950), Edward Mason, Alvin Hansen, William Crum, Abbot Usher, and Summer Slichter among them. All doctoral candidates participated in seminars, and B.W. Dempsey found himself in a circle of fellow
students who had already distinguished themselves in graduate economic research at other teaching universities. He soon became a leader in these discussions. Frequently the groups would meet for dinner and then adjourn to an empty classroom in the Harvard yard. The sessions would last several hours. Members of the group would take turns analyzing and discussing various propositions in economic theory. Dempsey was a leader in analysis; Leo Brown excelled in synthesis and practical affairs.

Dempsey, with his deep interest in history (some claimed that he was first of all a historian, secondly an economist), would ground his material deep in history before developing some understanding of economic thought and development. To their mutual and enduring satisfaction, B.W. Dempsey was assigned to Joseph Schumpeter as his doctoral advisor. It was the beginning of a lifetime of mutual respect and admiration. B.W. Dempsey looked to history as a foundation stone for economics. He insisted that no one could claim to be a real economist who was not versed in history and economic thought. Nor did he consider a historian complete or adequate without some accompanying knowledge of economics.

The two Jesuit doctoral candidates made such an impression on both their teachers and their peers -- and it fanned out from there -- that never again did economics departments fear that Catholic priests had a basic bent for do-good-ism rather than scholarship. Furthermore, they soon discerned that Leo Brown had a vast practical knowledge much wider than that of rectory existence. B.W. Dempsey shocked his confreres in demonstrating that Scholastic economists were for real and their thought was to be reckoned with. No longer in their minds did the old dichotomy between activists and researchers surface. The priest scholars had gained much respect.

Throughout his entire life, B.W. Dempsey was quick to seize opportunities to practice social justice. He possessed both the virtue and practice of that Scholastic virtue of balance and fairness in economic thought. His own life defined social justice: a scientific habit of mind so that with ease and facility he could act together with a group (class/seminar/committee/bull-session) to arrive at a consensus that contributed economic ideas and thought to the group in question. As we shall see in the following paragraphs, he joined in seminars at Harvard,
"bull-sessions" at Harvard Square, and met regularly with a close-knit group at St. Louis University. Later, at Marquette University, B.W. Dempsey instituted a similar atmosphere of "bull-sessions." Daily, he practiced social justice, as with ease and facility he joined with like-minded people to bring about a consensus of socio-economic thought and fairness. He was convinced that nothing was more powerful than an idea shared. On more than one occasion he expressed the thought that these active discussions were more effective than passive classroom lectures. Besides possessing the philosophical habit of social justice, Dempsey was also a competent economist: in other words, he was capable of making scientific decisions given relative scarce resources with ease and facility -- he had high ability to "economize."

There were other facets to Bud Dempsey and Leo "Browny's" lives besides Harvard. Both stayed at Jesuit Bobola House on Newbury Street and benefited from daily contact during the whole period of studies. Another haunt of the two during their stay at Harvard was Wursthaus near Harvard Square. Here they would gather with classmates after seminar sessions, literally lingering over a single beer until after midnight. Bud would often lead the discussions: Browny would sum up at the discussion's end. The priests did not hesitate to bring other Catholic scholars into the discussions. Always the emphasis was on the scholarly, an objective approach to economic problems as a more effective way of finding solutions in the long run. In B.W. Dempsey's eyes a roman collar was not a sign of a do-gooder who displayed a sincere but disruptive influence by his ignorance of the facts of economic life and with his soap-box techniques, but the sign of a scholar.

Discussion at St. Louis University

Such discussions continued when he moved to St. Louis University. After dinner an inner circle of St. Louis administrators and faculty members including B.W. Dempsey and Leo Brown would meet at the Coronado Hotel near the university for a snack and discussion before bedtime. Just as at Harvard's Wursthaus, discussions at the Coronado covered various socio-economic subjects, as well as the future of business education. While this more homogenous group was in general philosophical agreement, means toward social goals were frequently in dispute.
B.W. Dempsey, a recognized expert in the field of monetary and fiscal policy since his publication of *Interest and Usury*, invited his many friends from the business community to the "Coronado discussions." B.W. Dempsey and Leo Brown were in demand as doctoral advisors, influencing greatly the caliber of research among faculty and graduate students.

B.W. Dempsey years at St. Louis University coincided with World War II. He had his work cut out for him, trying to keep the Commerce School from falling apart as a result of faculty manpower shortages and the reduction of student population of draft age. Yet, in 1951, B.W. Dempsey proudly announced the fact that there were seven Ph.D.'s to be awarded in economics for the year 1952. In this same year, B.W. Dempsey was also referred to as a "trade expert," for he was the first President of the St. Louis Chapter of the American Marketing Association. This year, too, he left St. Louis University to head the Jesuit contingent which responded to a request by the Indian government to take over the faculty duties at Nirmola College at the University of New Delhi. Before he left St. Louis University, in appreciation of his years of work, B.W. Dempsey was awarded a Doctor of Law Honoris Causa.

10. B.W. Dempsey's Dissertation

B.W. Dempsey wrote his dissertation on the Church's teaching on interest and usury in order to demonstrate that the Church's position was not only valid, but also to demonstrate that modern economists did not understand it. The thesis, published as *Interest and Usury*, was reprinted in many foreign languages, including Japanese. Joseph A. Schumpeter, one of America's great analytic economists, went to great length in his monumental *History of Economic Analysis* to commend B.W. Dempsey for making it possible for economists of today to understand what the Scholastic economists were saying. (Cf. section III below on B.W. Dempsey's thought on interest and usury for treatment in greater depth.)

A simple persistent error that would get a snort from B.W. Dempsey was the assertion by critics that the Church changed its mind on usury, that is, that in the middle ages the Church said interest and usury was wrong but in the modern day accepts interest as morally right. Such superficial critics forget that the economy in the
middle ages was static, without saving, lacking alternative opportunities for investment. Thus, interest was zero percent. Today, with saving and alternative opportunities for investment, the Church, living in a modern dynamic economy of cost, recognizes a positive interest rate. The Church did not change its doctrine, but the economy moved from a static condition (zero interest) to a dynamic condition (positive interest).

11. At St. Louis University (1940-1951)

At the end of his second year of teaching at St. Louis University, B.W. Dempsey was appointed Regent (ambassador representing the administration) of the School of Commerce and Finance. Within a short time he was appointed Consultor of the St. Louis University Jesuit Community and a Trustee of the University. From 1943-1951, B.W. Dempsey was Chairman of the Department of Economics. This writer as a young Scholastic graduate studying economics met Father Dempsey for the first time in 1944. It was flattering to receive his attention and time and to be taken under his wing. From then on I regarded Father "Bud" Dempsey as my mentor.

Three Professionals

With commendable foresight the Missouri Province of the Society of Jesus (which included St. Louis, Marquette, Creighton, Rockhurst, Regis, Loyola of Chicago, Detroit, and Xavier) began preparing talented Jesuits for solid careers in economics. These were the depression years of heightened interest in socio-economic problems. Unfortunately, a number of priests of good will but misplaced zeal had spoken out on the social problems in a do-good manner. Having no professional economic background, these men were given little credence. Suddenly, three priests -- Thomas Divine, S.J., Leo Brown, S.J., and B.W. Dempsey, S.J. -- burst almost simultaneously on the scene with doctorates in economics. Needless to report, when it was realized that there were priests with credentials to backup an interest of a professional nature in socio-economic questions, they were eagerly sought after. B.W. Dempsey was in constant demand to conduct courses in many dioceses in the country. He began to give talks and write numerous articles, pouring into them his combined knowledge of
economics, philosophy, and theology. Soon his articles and his books brought him recognition as an economist of distinction.

In late 1958 he gathered together these articles of current import into a book: The Functional Economy (Prentice Hall). In this book of articles a reader will look in vain for B.W. Dempsey's underlying grand scheme, synthesis, plan or model. His lifetime forte was analysis not synthesis. He, himself, claimed that underlying his book was an underlying theme: the basis (principles) for a functional (organic) economic organization. Often he would assume that his overall philosophical, theological, and economic foundations were clear to his listener. Then, again, perhaps he considered that his economic thought was sufficiently presented by Joseph Schumpeter and that his social, theological, and philosophical thought was well presented by St. Thomas Aquinas and the others (i.e.: Lessius, De Lugo, Molina, etc.). He tended to be frugal, sparing, even chary in repeating his thoughts!

However, although Dempsey was busy giving talks, writing, and researching, he still sought personal contact with students, especially young Jesuits. He eagerly listened to them and would advise and counsel them. Always the teacher in any discussion, he insisted on the teacher-student relationship. The author of this biography recalls an occasion on which he carried on (too?) vigorously a discussion on Economics with Father Dempsey. Father turned and with a half-smile and asked a rhetorical question, "How old are you? You are not yet 50! I never met a person who had the "habitus" (fully a scientific economist) before he was 50, so I suggest you be more quiet and listen carefully to your elders." It was good advice if I wished to retain the precarious relationship between teacher and student. The advice was given whimsically, objectively, and without rancor. I heeded it, and it helped me move forward as an economist to my fateful 50th year. He never assumed mannerisms or became unapproachable. If I had wished to terminate the teacher-student relationship (before I was 50), he would have accepted it. But the subsequent relationship would have been different. Before my 50th birthday I would have lost an excellent teacher!
Depth of Vision

One example chosen from among many will suffice to demonstrate his breadth of vision. In 1950, when it was suggested that microfilm copies of a few medieval documents might be procured from the Vatican Library, Father Dempsey assumed the responsibility -- he never hesitated to seize responsibility for an endeavor -- of obtaining funds for the venture. With characteristic boldness, he obtained permission from Rome. Then he personally made the approach to the Knights of Columbus, convincing them to furnish the funds, and the project became a reality.

Excellence of Jesuit Education

As an academic administrator, Father Dempsey wholeheartedly supported the Jesuit ideals and methods of conducting universities. What was useful in other academic institutions of repute he was willing to respect and even to adapt or modify for Jesuit use. He insisted that "we" need not slavishly copy others. "Four hundred years of Jesuit success should preclude this." Whenever the opportunity presented itself, he eagerly put forth the excellence of Catholic Jesuit education. When reminded that he, himself, had a prestigious doctorate from a non-Jesuit university, he would reply that long before he went to Harvard he had a full education received from Jesuit Catholic "finishing" schools. He did appreciate the status the Harvard degree conferred upon him, but always showed a deep loyalty to Jesuit education. He backed up his affirmation by being an assiduous student of Jesuit constitutions and history. Always the insightful historian, he had a more profound understanding than most others of Jesuit objectives and methods. His closeness and many lengthy discussions with Joseph Donnelly, S.J., a foremost historian, added credence to his positions.
The Catholic Economic Association (1942)  

During this same period there was a lack of Catholic participation in the activities of learned social science societies, particularly in the discipline of economics. This lack was attacked on another front. Thomas Divine, on his return to Marquette University with a Ph.D. from the London School of Economics, saw the immediate need for an association of Catholic economists. He was joined in this endeavor by Bernard W. Dempsey, Leo Brown, and a number of others. Thus, in 1942, The Catholic Economic Association (CEA) was born, with T. A. Divine as its first president and the editor of its official publication, The Review of Social Economy. The organizing committee was in agreement that while economics is primarily a positive science, it is in large part also a normative science, and its main usefulness is as a means of promoting the (economic) common good and social justice.

The Catholic Economic Association was founded to promote scientific discussion of economic problems, the solution of which requires a knowledge of both economic science and (Christian) social philosophy. Other objectives were to evaluate in light of Christian moral principles the assumptions, methods, and objectives of economic science and to assist in the formation of practical programs for the application of Christian social principles.

Many give T. A. Divine credit as being the founder of the Catholic Economic Association. He was somewhat reluctant to accept this honor but admitted that maybe he was the instigator or even the chief architect. He felt that all of those who attended the first meeting in New York City in 1941 could be considered co-founders, especially the members of the organizing committee formed at that first meeting. B.W. Dempsey, who attended the first meeting, stated in his usual decisive manner that "without doubt Tom Divine was the prime mover and truly the founder."

T. A. Divine, together with some other members of the Catholic Sociological Society, was disappointed with

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the annual meetings that devoted a "paucity" of time to economic subjects. Therefore, he suggested to this disappointed group that they form a separate Catholic Economic Association. They agreed and suggested that Divine do something about. By the end of 1942, the CEA was formed; 136 persons accepted invitations to charter membership and 38 to student membership. Thomas Divine, S.J. was elected as the Association's first President in 1942.

The Catholic Economic Association decided to work in close cooperation with the American Economic Association and to hold joint meetings. In 1943, the official journal of CEA, The Review of Social Economy, was founded. In 1948, the review became a semi-annual publication with T. A. Divine, S.J. as Editor-in-Chief, a position which he held until 1959. On the 25th anniversary of CEA (1967) Thomas Divine, the "founding father," was deservedly awarded and honored.

12. Nirmola College (New Delhi)

In 1951, the General of the Jesuits directed the Missouri Province to take over a college in New Delhi, India. Immediately, Father Dempsey came to mind. Considering his constant delicate health over the years, he was asked, not told, to "discern" whether he wished to go. Advised that his health was likely to suffer from the rigorous Indian climate, he still considered the request a mandate from Father General. With his usual calm demeanor, he therefore prepared to leave America, apparently forever. Promptly, he resigned from national committees and arranged for others to direct his graduate students. This detaching himself from his graduate students was difficult for him to do; he had become very close to them. Lastly, as was his wont, he was preparing a quiet departure, but his non-Jesuit friends would have it otherwise and a civic dinner was given in his honor. St. Louis University then bestowed on Bernard W. Dempsey, S.J. an honorary doctorate for over ten years of tremendous scholarship, research, and superb teaching at the University.

Preparing for Nirmola College

With consummate foresight, Father Dempsey planned every possible phase of the new operation. He learned
everything he could about India, even beginning the study of Hindi. Once the Jesuits opened Nirmola College in New Delhi they found themselves almost from the start in a most difficult situation. There was deep unrest and agitation among both students and faculty. Dempsey also met constant resistance from Indian anti-religious and anti-American forces. The government remained suspicious and unbelieving of stated Jesuit motives. There was no willing acceptance of the Jesuit-approved double social purpose: to work for the renovation of Indian people and simultaneously to build a better Indian society, nor could the government believe or accept that the Jesuits' stated purpose of preparing people for the Kingdom of God was for real.

Treasurer of Nirmola College

As treasurer of the College, B.W. Dempsey was obliged to find his way through the intricacies of India's legal system, her Department of Education, her customs barriers, and her governmental bureaus. In later years, he was reluctant to speak of the hostility and resistance met with in those years. Those who lived with him in India well knew the difficulties and were quick to express what a tower of strength he was during those problem years.

Work Outside of Nirmola College

Father Dempsey's work in India was not confined to Nirmola College alone. He drew up excellently-designed articles of incorporation for missions and dioceses which helped them in dealing with the Indian government. He made several survey trips at the request of the Indian government to appraise economic conditions in northern India. He combined a trip to Jerusalem with a visit back to the United States to approach American foundations on behalf of Nirmola. During his short stay in America, particularly in St. Louis, he had no word of complaint for the conditions in India, not did he mention his deteriorating health. His single purpose in America was to approach American foundations on behalf of the newly-founded college, not to criticize and air the difficulties encountered in Indian.
Health Deterioration

The years in India severely tried Dempsey's health. His chronic bronchitis and ability to breathe worsened in the sometimes high New Delhi humidity. For some months he was bedridden with what was thought to have been a heart attack, but which was actually hepatitis complicated by amoebic dysentery. The fall of 1953 found B.W. back in St. Louis undergoing intensive medical care. In whimsical fashion, Bud wondered out loud whether the amoebae would devour his liver before the competitive "sulphur" cure did so. "At least I don't possess an American liver cirrhosis!"

13. At Marquette University (1954-1959)

In the summer of 1954 Dempsey was assigned to Marquette University. Given his delicate health he taught a light schedule that fall. With the drive, determination, and patience characteristic of the man, by the spring of 1955 Dempsey was much improved and literally ready to take on the whole world. This year he helped direct a seminar at Claremont College, California, and another at Harvard. In 1956 he was fully in the saddle and helped to plan projects for the Business Bureau of the Marquette University College of Business Administration and the City of the Milwaukee.

Dempsey was again Chairman of an Economics Department, this time at Marquette University, a task he retained until his untimely death in 1960. With encouragement from higher University administration, Dempsey began to beef up, gearing the Economics Department for a possible doctoral program. A number of top-notch economists gifted in research, teaching and recognized reputation were added to the economics faculty. He gathered a dozen or more students with doctoral potential to Marquette University. Some were guided and recommended to Marquette because of Dempsey's reputation. Several were guided to B.W. Dempsey by Joseph Schumpeter. Others Dempsey recruited personally. At his death, it was decided to retain a strong Master's Program in Economics, but not to begin a full doctoral program at that time. Obviously, the advent of the doctoral program had depended much on the expected direction of B.W. Dempsey.
14. Home Bound

During the summer of 1957, Dempsey's Jesuit province (now the Wisconsin Province) held its provincial congre­gation preparatory to the general congregation to be held in Rome. Appointed as one of the two Roman delegates, Father Dempsey flew to Rome and worked hard and produc­tively during the fall months. On his return to Marquette University, he expressed pride and enthusiasm for the real accomplishmets of the congregation. He remained in lifetime admiration of the government of Jesuit Society.

15. Preparing for Death

After the first of January, 1958, Father Dempsey's health was never really good. His bronchitis gave him more and more trouble. He spent the first two months of the year in the hospital. Then, during March and April he was confined most of the time to his bed, yet he never really rested. His friends and acquaintances beat a path to his Jesuit Residence door. This arrangement pleased him immensely.

During 1958 his health continued to deteriorate. At this time he decided to draw together and edit a number of his previously published articles and publish them in book form under the title: The Functional Economy. His own self-criticism was that the various chapters or articles were not synthesized -- there was no integral whole blending the chapters together. Admittedly, his own lack of energy made it physically impossible for him to correct his own self-criticism. Dissatisfied and with time growing short, he sent The Functional Economy to Prentice Hall. During the spring and summer of 1959, he worked assiduously on his book The Frontier Wage. He thought this book was most important, not only to complete his own economic thought, but to supply the need in economics for an "adequate" theory of wages (cf. Chapter IV, "The Frontier Wage"). B.W. Dempsey's last work was published posthumously, within a few days of his demise.

In April 1960, he had serious difficulty breathing, yet he had promised to address a convention of bankers on April 21 and insisted on giving the address. Father Joseph Donnelly, S.J., long-time friend and colleague, insisted on accompanying him to the meeting because Father Dempsey looked so exhausted and Father Donnelly
feared he might collapse. B.W. finished his address, patiently sitting through a long and trying question period. Then Father Donnelly convinced Bud to go directly to the hospital. A few minutes after he reached the hospital his heart suddenly gave out and only frantic medical efforts prevented him from dying then and there. This writer, together with Father James McGinley, S.J. (Fordham), a long-time fellow economist and friend, rushed to his hospital side. We found Bud alert. He announced that "going directly to the hospital was providential; otherwise I would be dead at this moment!"

During the weeks of his convalescence, Friends flew in from around the country, ostensibly to visit, but really to seize the last opportunity to consult him. He returned to his Jesuit community in late May in a much weakened condition. Just before the July 4th weekend, he suffered another serious attack and was forced to return to the hospital for a 10-day rest. When he came home, the shadow of death was upon him, though only a few of us surmised it. Bud himself anticipated his death. On several occasions he remarked to the author that he thought that he "had just about done the work which God had assigned."

16. His Death

In July Bud spent his time quietly preparing for death. Although weak, he insisted on going daily to the community chapel for Mass and communion. He spent his time quietly clearing up the last few tasks necessary to complete his book on wage theory. He never actually said that he expected to die soon, but he asked various people to "take care" of tasks which were to be done in the remote future. He asked this writer to "administer" for the time being the Economics Department. Any policy changes should still be referred to him. Again, he repeated the thought that "my work assigned by God to me is about finished."

On the morning of July 23rd, Father Dempsey was discovered quietly stretched out on his bed. As in life, so in death he appeared placid and composed, without signs of struggle. The news of his death was carried in every important newspaper in America.
17. Jesuit, Priest, and Scholar

As a Jesuit, B.W. Dempsey was, in this writer's opinion, one who always sought to be close to the ideal which St. Ignatius Loyola proposed. He was a friend and advisor to the great and famous, yet he carefully refrained from reaping any advantage for himself. He lived simply. He traveled widely, yet frugally. He obeyed his superiors meticulously.

His Simple Faith

For all of his brilliance in academic matters, he had a simple faith. He was deeply devoted to the "Blessed Virgin," as he affectionately referred to her. A rosary was an essential to his daily life. He had a childlike confidence in the providence of God. In his last days, his only request was that those present should say the Litany of the Sacred Heart. All of his life he had a militant devotion to the Jesuits and was a crusader for their ideals.

This writer knew Bud well and lived in the same residence with him during two separate periods in Father Dempsey's life. As a young Jesuit Scholastic (1944-1948) I knew him at St. Louis University as teacher, Father Dempsey. From 1954-1960 at Marquette University I knew "Bud" as friend and colleague. I never forgot that he was my teacher and mentor. In all those years never once did I see him lose his temper or be knowingly unkind to anyone. His charity embraced all men, but particularly students. I can personally attest to his solicitude. Even apparent disorder and disorganization, which he abhorred, evinced a favorite but mild expression: "What a way to run a railroad!"

Calmness and Objectivity

B.W. Dempsey was always calm and objective. This is not to say that he did not take strong positions and feel deep emotions concerning issues. He did! Admittedly, he never claimed to be neutral on any issue. Notwithstanding, at all times he maintained a calmness of demeanor, a controlled objectivity. He was definitely on the "conservative" side in his opinions and major premises. His minor premises in an argument were irreproachable and difficult to "refute," providing you granted his major.
As an argument heated up and become more emotional, producing more heat than light, Father Dempsey lowered his voice, spoke more calmly, and argued almost in syllogistic form. Always, he argued without rancor, although aggressively and persuasively. His demeanor did not make him always "right" but made him more formidable in any discussion. Never did he seem to be trying to get the upper-hand in an argument. Always, you felt he was seeking the truth. Added to the above was a characteristic manner and style of expressing himself, so that even simple thoughts sounded impressive. He spoke with an air of authority. Few had the courage to challenge him head-on. As one listener expressed it, "if Dempsey tells you that black is black and white is white, you are so impressed that you catch yourself jotting it down."

Several days before his death, Dempsey asked this writer to open and read aloud a letter of medical evaluation concerning his health. It was very pessimistic with one phrase stating that the prognosis for his future did not look good. He calmly asked me to repeat the phrase. Then he stated, "This expresses the gist of the report. Underline it. Please read on!"

Sunshiner

Although Dempsey had lived all over the world, he never ceased being a "hometown boy." His home never ceased being Milwaukee, so he became known among those "select" Jesuits as a "sunshiner." To him, Milwaukee was a most wonderful place. Perhaps only those from San Francisco rival "sunshiners" in loyalty to their home city. It is not my task to defend or attack, for I am a "sunshiner," too.

Research and Teaching

In asking a (student) a question, Dempsey was quick to tap his forehead and say "think." If he had asked why, he did not tolerate a what, a where, or a when in response. He expected that his students had the ability to distinguish between contraries and contradictories. For him, "to think clearly and express accurately" were marks of a Jesuit education. Dempsey operated from a solid foundation of scholarship, knowledge, science, and practical wisdom and above all with abundant good will and generous sharing of himself. Although he was labeled
"conservative" in thought and action, he tried to avoid
tags of any kind. With St. Thomas Aquinas, he held that
virtue "stat in medio."

All of his life, B.W. Dempsey stressed a needed
balance among good teaching, research, and scholarship at
a university. "Let us not be lopsided nor top-sided." At
a faculty seminar he listened for an entire day to what
he considered an over-emphasis on research, although he,
a Harvard graduate, was well known for his own research
and scholarship. He ended the seminar with these ringing
words: "I have listened attentively for an entire day.
I can only conclude that if Matthew, Mark, Luke an John
were alive they would be promoted for their research and
publishing. But poor Jesus Christ, a mere teacher, would
be terminated. Something is out of whack!"
Chapter Two

DEMPSEY REVISITED

1. A Man of the Classical Period (1891-1961)
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On Economic Systems
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On Option for the Poor
1. **A Man of the Classical Period (1891-1961)**

Dempsey was born in 1903 and died in 1960. His life, therefore, coincided almost precisely with the chronological years of the Classical period (1891-1961). More importantly, Dempsey's life not only chronologically coincided with the Classical years, his own thought conformed to and mirrored this period. He was a champion of the era. In the opening words of his *Functional Economy* (Preface), he states categorically his task is "to project the ideal situation, which intelligent adherence to the enlightened teachings of the Church and constant awareness of the lessons of history can achieve, against the background of historic and existing communities" (F,V).

Dempsey was a skilled scientist in the presentation of social principles and the relationship (insight into) among these principles. In his own Scholastic terminology he possessed that "habitus" (scientific habit or virtue of the mind) by which he could with ease and facility explain, analyze, and deal with the principles of the Vatican social documents. The opening words of his chapter, significantly entitled "The Bases of Economic Organization," (F,65) are:

The restoration of the social order according to the principles of sound philosophy is the goal of the Church's interest in current social matters. For this reason, only natural truths and logical reasoning will be used to derive and establish the Pope's teaching on human society and its members. Where the encyclical cites passages taken from scripture, careful examination shows that this is not done by way of proof but rather to stress the conformity of his logical conclusions with the teaching of the Gospel [O. von Nell-Breuning, S.J., *Reorganization of the Social Economy*, tr. B.W. Dempsey, p. 16].

The modern period (1961-1991+) differs; other fonts, as well as natural reason, scripture, theology, social argumentation, etc., are integral parts of today's Vatican social thought. His age called for much "natural law" (reason) and authority, and he met these criteria fully!
In modern Catholic Social Vision, the person is described as a self-project engaged in a lifetime work-task within communities, in order to become a complete/full personality (Cf. LE, 9). These five communities are: 1) Trinity, 2) Church, 3) Present living (de facto) community, 4) Kingdom of God, 5) Ideal (de jure) community of "what should be," or unchanging principles. All five have an appropriate place in modern social thought: a person is engaged in all five communities, and the emphasis is no longer only on the fifth. In recent years an emphasis has grown in recognizing the interrelatedness of these communities and in being concerned that through development the gap between the de facto groups (family, economic, political, voluntary, cultural) and the de jure communities (Trinity, Church, Kingdom, Ideal) can be lessened if not closed (Cf. Catholic Social Vision, below).

**World of B.W. Dempsey**

The world of B.W. Dempsey was the ideal (de jure) world of principles. He strove mightily over a lifetime to polish, define, and relate these principles one to another, providing a foundation/basis for a viable Functional Order. In this/his world there was little room for change or signs of the times. He dealt mostly with the unchanging principles (person, law, rights, justice, society, peace, subsidiarity, etc.). For B.W. Dempsey, the task of the social documents was to deal with principles. "The instructions of the Holy See in social and economic questions are general for the reason that they are expressly concerned with principles" (F,72). The work of applying these general principles was for others. "Thus the limitation of dealing in principles leaves a great volume of indispensable work to be done in each community --- and by no means the least, the man with a living to earn" (F,73). For, Dempsey, if he had lived in the modern period, would have felt that much that was taken up (MM/GS/etc.) should not be in social documents but rather left for the man-earning-a-living to deal with by applying social principles to de facto social problems.
Argument from Authority

A typical man of this Classical period, Dempsey put great emphasis on authority, much emphasis on reason, "natural law," less on theology, and very little on theological argumentation and scripture. Remember, his life had been run before the modern period with its full use of all fonts was in vogue. It is only recently that sacred scripture has become integrated into Catholic social thought (Cf. Economic Justice for All).

To Dempsey, Vatican principles carried immense authority. His task was not to dissent or disagree, but to explain the "authenticity" for the lay person. To him, these principles with which he had such familiarity and facility were more than simple Vatican thought; they were "dogma." "We are concerned here with 'social doctrine'," states B.W. Dempsey, "as applied more specifically to economic organization in modern industrial society on a basis of natural reason" (F, 65). Therefore, the first effect of the encyclical of 1891 (Rerum Norvarum) was "to give the sanction of Papal authority and with this a degree of respectability that formerly they had not enjoyed" (F, 68). At times his instincts and Classical background forced him to rely on authority even to the extent of not bothering to state rational arguments for a position: to quote authority was sufficient reason. Surely, certain attitudes of the modern period would have distressed him. But he was not of the modern period --- his heart and mind had stopped by 1960.

In 1960 Dempsey was ready to depart. On several occasions he stated that he thought his work was finished. Certain social movements and trends were making him unhappy. Looking back from this (disad)vantage point of 1991, we see why his work was finished. An attitude of many Jesuits (since their life work is the Lord's) is that when God sees their work is done, He will take them unto Himself. Ora pro nobis! R.I.P.

2. Dempsey's Social Attitudes

On Pacem In Terris

Pacem In Terris was published in 1963, three years after Dempsey's death. Yet PT basically belongs to Dempsey's era, to the Classical social document period.
The intention of PT was to put forth a functional (organic) ideal (de jure) order of society.

The underlying argumentation of PT is simple. It is the same development which B.W. Dempsey employed during his entire career. The building block of society is the family (the person is the family's nucleus). Within the family a person works to complete self. All society is made up of these building blocks, namely, families. If all the families (building blocks) within each nation have a healthy orderliness, the resulting "family of nations" provides good opportunities and power to act justly and charitably. If each family is fair (just) and loving (charitable), the result will be a tranquility born of order, namely, peace on earth, a "Pacem in Terris." PT is the last of the encyclicals belonging basically to the Classical period. Mother Teresa expressed the above simply: All goes back to the family. If we have a world made up of good families -- a "family of nations" --- acting in a lovable manner, there will be peace on earth (paraphrased).

Both PT and Dempsey treated the functional society (organic) principally through reason. Little emphasis was placed on the other fonts, particularly theology and scripture. The full incorporation of all the fonts had to wait until later in the modern period.

As the Pope did in Pacem in Terris, Dempsey began with the person, one who is freely self-directed, is engaged in a lifetime work, a calling, a vocation, who seeks opportunities and power to act for the common good, who practices justice and charity, and has certain moral powers and rights. When people are successful in this, there results a tranquility born of order: peace. Above all, the person was considered a social being. Only later, in Laborem Exercens, is the person treated as constitutively, essentially, a worker, too. Not only Karl Marx, but Dempsey, too, in his mature work, The Frontier Wage, assumed that all persons by their very nature are also workers (Cf. Chapter Seven, "The Functional Wage").

Arguing from reason, Dempsey begins with the social person, looks at the inclinations/drives that follow upon a person's structure (nature) -- directing the intellect and moving the will toward the fulfillment and completion of the person within society -- namely law. Law, itself, implies the need of moral powers (rights) in order to achieve a good society. The logical movement and close interrelationship from person, to law, to rights, moves
to justice as a protector of those rights. Charity completes what justice begins. Society, as a union of persons acting together for opportunities and power-to-act (common good) through the practicing of justice and charity, results in an order born of tranquility called peace.

On Subsidiarity

As treated in PT (139 and 140), the principle of subsidiarity was also a mainstay of Dempsey's social treatments. In theory, B.W. saw the right and duty of the state under certain conditions to enter the economic sphere. These conditions were namely four: when there is (1) a real loss to the common good, when (2) the loss continues, when it becomes (3) a last resort, the state could then enter (4) to help the economic sphere help itself (Principle of Intervention). Dempsey, at this point, liked to paraphrase Abraham Lincoln, namely, "the state should enter only to help others help themselves."

In practice, he saw very few instances in which the right to enter was verified. And he could not see a practical case in which the state had a duty to intervene into economic affairs. He loaded the dice even more by choosing to employ the word "interfere" rather than "intervene." Usually, he would inform the listener that it was his experience that once a horse was allowed to put its nose into a full feedbag, it was most difficult to get it out. It is better that the state never get the opportunity to "interfere" in economic affairs.

The principle of subsidiarity was all important to Dempsey in his treatment of a functional society. It set up definite interrelationships between the various groups (e.g., family, economic, political, and the many voluntary groups) that make up the larger society. Dempsey never confused state and society. "It's a Marxian trap." Always, he would point out that the state was only one member of the larger society. Going back to QA (1931), Dempsey expressed subsidiarity function as "the outer order (state) that should foster, stimulate, regulate, supplement, integrate, review, restrain, encourage, direct, watch, stimulate, etc., but not absorb the inner orders (family, economic, voluntary and the person itself) of society. The principle in practice took on the function of a "linebacker" in football, in reserve and
ready to help the others, especially the prime line of the family -- "family primacy."

On Academic Excellence

Thirty years before *PT*, Dempsey and his Jesuit companions (the three professionals) advocated and practiced scientific competency, technical capability, and recognized skill in their profession. If Dempsey had lived to read *Pacem in Terris*, particularly paragraph 149, he would have given his characteristic sigh of agreement, namely, an audible "amen."

But in a culture and civilization like our own which is so remarkable for its scientific knowledge and its technical discoveries, clearly no one can insinuate himself into public life unless he be scientifically competent, technically capable, and skilled in the practice of his own profession (*PT*, 149).

On occasion, in a firm but a kind manner, he dropped students from the graduate program. He decided that they did not measure up to this three-fold standard. When B.W. was told by another faculty member that he thought a certain person "promising," his brief response: "To be promising is not enough!"

On Alpha Sigma Nu

Dempsey was proud to be the moderator of *Alpha Sigma Nu*, the Jesuit honor fraternity. He considered Alpha Sigma Nu the "elite" of honor fraternities. All 28 Jesuit universities in the United States have a chapter of this fraternity. B.W. was particularly enamored because of the criteria for membership in *Alpha Sigma Nu*: character shown not only through scholarship (as in *Phi Beta Kappa*) but also loyalty and service to all the groups (societies), especially intermediate groups and particularly the Jesuit university attended.

In choosing candidates, Dempsey made these criteria operative and practical. Besides scrutinizing a prospective member's degree of scholarship, loyalty and service, he also emphasized the honor and privilege of any member to arrange a personal appointment with the university president. He insisted that the active university
membership (juniors and seniors) submit in the course of a year three (3) reports to the President on both the good/bad of the faculty, the administration, and student involvement. After B.W.'s death, this writer became Fraternity Moderator and helped achieve a dream of Father Dempsey's -- opening the honor fraternity to qualified women.

In his last year of life, B.W. welcomed to Marquette University the National Alpha Sigma Nu convention and banquet. Enthusiastically, he chose a graduate of Fordham, a Jesuit University, as speaker and to be honored, namely, Vince Lombardi, the new and as yet unknown coach of the Green Bay Packers. B.W. Dempsey had already taken full measure of the man and declared him in one word to be "superb." I recall "Bud" taking me by the arm to be sure that I met this "great man." Certainly, Dempsey regarded Lombardi as a kindred spirit in outlook and character.

During Coach Vince Lombardi's excellent talk on motivation and how to achieve one's goals, Father Dempsey's face glowed as Lombardi emphasized the five D's: dedication, determination, discipline, desire, and decision-making. He echoed Dempsey's life philosophy, too, when he declared that blocking and tackling done only 85 percent right were just insufficient. At least, the endeavor should be a full 100 percent. If alive today, Dempsey would be advocating the current recognized need for the United States to target perfection in its economic endeavors, not just to settle by "doing a good job."

On Dempsey, The Teacher

This protege of Father Dempsey, teacher, sealed his fate when he agreed to place himself under his tutelage for a number of weeks, totally unaware (still being under 50) of what a hard taskmaster, disciplinarian, and demanding teacher to whom he had indentured himself. The task was "to attack together" the history of economic analysis. As text, Dempsey chose his favorite learned book: History of Economic Analysis by Joseph Schumpeter, his favorite economist -- 1,260 pages of small print including footnotes. Our bloody sessions were two hours long. My exhausting assignment work requirement was to be prepared to demonstrate complete (not 85 percent) knowledge, understanding and integrative insight into a
sizable chunk of the book. Of course, the expression or recital had to be precise, accurate and eloquent. Never before did I have an understanding of what complete mastery meant. Never before did I appreciate how bloody an entrance knowledge makes. Not only was the preparation fatiguing and exhausting, the rough sessions were even more so. Having survived the ordeal, I was never the same. I shall always be grateful for being taught how to think!

Father Dempsey, teacher, was quick to insist that his students excel. On one occasion a very good student complained to Father Dempsey that he thought he deserved an A in his course. Father Dempsey seldom "gave" A's! His reply was, "You may be a genius, but I had to overwork you -- you did not overwork yourself. An A is completely self-earned!"

On John XXIII

In the late 1930's, Dempsey's background and love of history resulted in a somewhat startling prediction. Sometime before Roncalli became John XXIII, Dempsey raised in conversation that "it would make sound Church historical sense if the coming Pope would choose the name John XXIII." When Dempsey was scoffed at for his statement, his brief but friendly answer was "Please don't contradict me, I am well aware of what I am saying." Roncalli and history proved Dempsey right!

On St. Thomas Aquinas

Dempsey always had a high regard for Aquinas. But in his earlier years he looked elsewhere for systemized and organized bodies of economic knowledge. Only in his last years did he fully utilize St. Thomas. An extensive and intense reading of St. Thomas gave him a deeper appreciation of St. Thomas's understanding of economic ideas. In fact, in his last years he tended to "abandon" some of the later Scholastics (Lessius, De Lugo, etc.) and go directly to St. Thomas for economic answers.

The discussion of fundamental economic ideas in the writings of St. Thomas Aquinas, however penetrating and acute, was at all times a by-product of some other activity. St. Thomas was not an economist, and at no time was he con-
cerned with the analysis of economic problems for their own sake. Though he touches upon many economic topics and touches them with characteristic neatness and accuracy, he is always primarily interested in some other problem [F,164].

Although references to economic subjects occur in many parts of Aquinas' larger works, his principal economic statements are in his comments on the virtue of justice (cf. S.Th. Summa Theologica, 2a, 2ae, qq. 57-80) and in the Commentary on the Ethics of Aristotle. Dempsey considered the discussion of the economic ideas of St. Thomas as being "extremely difficult to set forth in satisfactory sequence."

The concepts are so closely interrelated that the analysis of each threatens at any moment to branch off into an apparent digression, but when the whole analysis has been presented, the digression will appear integral to the topic [F,392].

In St. Thomas, for example, a discussion of property cannot proceed without some inquiry into the division of labor coincident with the division of resources. Once this notion is introduced, the concept of exchange constantly hovers on the horizon. Exchange is the principal instrument by which goods privately owned still minister to the common good. With exchange comes the introduction of money, with money, the question of price, and of just price specifically [cf. Chapter 5]. With the question of just price comes the question of the just price of money, that is, of usury [F,392] [cf. Chapter 6].

On the Font of Theology

For several months, Dempsey's constant companion was the other Wisconsin delegate to the Roman Congregation, namely, Father Cyril Vollert, S.J. (Dean of the Jesuit Theologate, Professor of Theology, and publisher of theological works). At this time, Dempsey not only discovered St. Thomas fully, but also the need for using
theology as a real font in the social documents. In his short span of life remaining, he did pursue this aim.

**On Economic Systems**

From his heavenly vantage point, Dempsey must be looking down in prayerful and thankful amazement. World communism is on its deathbed. Dempsey was a life-long implacable enemy of communism, all the more so because he considered it a reaction, an attempted displacement for the capitalistic system. In spite of his often sharp criticism of even a mixed capitalistic system, he was quick to defend the capitalistic system as the only viable, existent, practical economic system.

In *SRS* (1987), John Paul II spoke out against injustices in both the political and economic spheres. To the chagrin of critics in the first world, he attributed injustice equally to both the communist and capitalist systems. Such a papal statement would have caused Dempsey in his characteristic manner to pause and hold his breath -- for a moment or so!

Dempsey, the historian, fully expected thirty years ago that the political experiment menacing the world with totalitarian domination would mercifully come to an end, but not even this accomplished historian predicted the demise would be so abrupt and so complete. Dempsey did have a penchant for predicting social and economic events accurately from past historical events, but this sudden demise of communism was not one of them.

John XXIII, in his opening address at Vatican II, referred to many of his counselors as "prophets of doom who know no history." Dempsey would be in substantial agreement with this assessment: "Don't predict the worst; neither history nor you can bear that out." He spoke of theories of a world evil conspiracy as absurd and preposterous and would have applauded his fellow historian John.

Today Dempsey must be showing tremendous interest, with eyebrows raised, as he stares owlishly upon the changing attitudes and solutions offered in the world which had begun within five years of his death. Certainly, he would be greatly impressed by the official Church teaching of Vatican II, *Gaudium et Spes* (GS). Dempsey, who was never known to take a neutral stand on anything controversial, would more likely accept its close reasoning, and of course the document itself, on
the basis of the authority of the Church, than to accept a seemingly reasonable argument not sanctioned by Church authority. Authority always had priority over reason, at least in the practical order, both in his mind and in his actions.

On Religious Freedom

During Dempsey's time religious freedom was much debated, and he willingly participated in these discussions. He saw the Church as given a divine mandate for religious freedom. For an argument from reason, he referred to John Courtney Murray, S.J., as his authority, without going into Murray's reasons. In his authoritative manner, Dempsey would state, "one would do well to listen to John Courtney Murray, for he has much to say on this matter." He was quick to state that the Church had not yet spoken clearly on religious freedom. A man of his time, he was wont to quote the slogan "error has no rights." But this was more than five years before Vatican II (although Murray had much to say) had published its Decree on Religious Freedom (1964).

One who knows Dempsey's social attitudes can say that he would be thrilled at the advent of Pacem in Terris (PT). In 1963, John XXIII cut through the arguments dealing with human rights which had befuddled some in the Church for over a thousand years. In this document, John maintains that every human person, as the image and likeness of the Creator, is entitled to an essential freedom which must be respected by Church and state alike. He also puts forth that the right of the individual to religious freedom is founded in the straight secular (de facto) order on purely rational, philosophical principles.

Dempsey would have welcomed this philosophical argument based on the dignity of man. There would be full acceptance on his part, not because of its rationality, but because of the authority of Pope John XXIII, as expressed in PT. For him, authority always came first; reason had to find a way to accommodate. And yet he derived most of his principles from reason or "natural law."

In PT, the axiom "error has no rights" still stood. But John insisted that only human persons had rights. Even in error, individual persons retain the right to the inviolability of their persons. Of course error should be
repudiated, yet the one in error retains a personal dignity which must be respected. In political and religious matters, no one is to be forced to act in a fashion contrary to personal beliefs.

In Vatican II, the Decree on Religious Freedom reiterates that an individual has no right to err, but at the same time must follow a fully formed conscience, a process of practical reason, which is the only way one can arrive at practical truth. It would be a good guess that for Dempsey this would be another troubling matter for discussion, as he strove "to arrive at a satisfactory conclusion."

Option for the Poor

In 1968, Pope Paul VI dedicated the Church to a radical "option for the poor." As a boy, Dempsey had overcome personal poverty in a short period and proudly and repeatedly spoke of this success. But this talented and strong-willed man would have succeeded under almost any circumstances. Dempsey really never understood the powerlessness of ordinary people forced to remain poor for extended periods. He grew up in an individualistic atmosphere in which he breathed notions that all are born industrious, frugal, and honest, and therefore destined for economic success, providing only that they put in the effort. Personally, he held that one should resist any "interference" in individual liberty, especially by the state and its many institutions. In various ways he expressed the notion that one need not remain poor (powerless), for each one has the power to "overcome" the poverty.

It would be interesting to see Dempsey wrestle with the emphasis given recently by both the Church and his own Society of Jesus to this "preferential option for the poor." We can be assured that he would bow to the authority of the Church and his beloved Society, regardless of his "reasonable opposition." A man who could assure a group of listeners and make it sound plausible to them that a football team had won a "moral victory" when it had lost 30 points could certainly bring himself around to the desired conclusion.
Chapter Three

TODAY'S CATHOLIC SOCIAL VISION


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Today's Catholic Social Vision


The most startling and amazing happening of the last 30 years has been the sharpening and clarifying of the all-embracing Catholic Social Vision. Such a vision is not built on "reason" alone, but on the fonts of theology, scripture, philosophy, the social sciences, and "natural law" (reason). The most gratifying happening within the Catholic Social Vision is the fleshing out of the concept of Development. Beginning with Gaudium et Spes (GS) and continuing with Populorum Progressio (PP) and Sollicitudo Rei Socialis (SRS) there is movement toward a new century of social documents (1991 and beyond). There is the wholeness of a complete vision. If Dempsey were alive today -- after he got over his initial "alien" shock -- to see the tremendous 30-year movement in Vatican social thought, I believe he would calmly embrace/accept it, if not from reason, then from authority, as a new challenge. A man who said in 1957 -- before Michael Harrington et al. -- that "In the United States the rich have not grown richer and the poor poorer" [F,288] would have much catching up to do!

2. The Catholic Social Vision

The Christian Social Vision (CSV) is the cornerstone of modern Catholic social teaching. Since Vatican II, there has been a radically different vision of the Church -- more historical, more dynamic, more vital. Much of the basic social vision is drawn from two of the social documents of Vatican II, namely, Gaudium et Spes and Lumen Gentium (LG).

The Trinitarian Society relates to the entire universe and especially to human societies. The Triune God -- Father/Son/Spirit -- founds and supports through the Son the Church Society; demonstrates power and presence to the Secular Society (our world); is present and penetrates the Kingdom Society. The Trinity furnishes a real exemplar of the Ideal Society in Jesus Christ and calls the human person to co-creation (partnership). In turn, the Church helps the people of God prepare for the Kingdom and directly assists the persons and societies which make up the present order.
The Catholic Social Vision not only relates to the immediate vision of a realizing process of human persons and their societies, but to the larger context of man and God working together (co-creation) to achieve a universal mission of a complete realization of the entire CSV. For many, the traditional "vision" (including B.W. Dempsey's) is no longer meaningful or attractive.

Main Catholic Social Teachings (CST) and Symbols

| RN  | Rerum Novarum (1891) Leo XIII (On the Condition of the worker) |
| QA  | Quadragesimo Anno (1931) Pius XI (Restructuring the Social Order) |
| DR  | Divini Redemptoris (1937) Pius XI (On Communism) |
| SP  | La Solennita della Pentecoste (1941) Pius XII |
| DA  | Christmas Address on Democracy (1944) Pius XII |
| MM  | Mater et Magistra (1961) John XXIII (Christianity & Social Progress) |
| PT  | Pacem in Terris (1963) John XXIII (Peace on Earth) |
| GS  | Gaudium et Spes (1965) Vatican II (The Church in the Modern World) |
| LG  | Lumen Gentium (1965) Vatican II (Constitution on the Church) |
| RF  | Declaration on Religious Freedom (1965) Vatican II (Dignitas Humanae) |
| OA  | Octogesimo Adveniens (1971) Paul VI (Development of Peoples) |
| JW  | Justice in the World (1971) Synod of Bishops |
| MD  | Medellin Documents (1968) (Justice, Peace, Message of the Peoples of Latin America) |
| RR  | 10th Anniversary of Pacem in Terris (1973) |
| EWW | Evangelization of the Modern World (1974) Synod of Bishops |
| RH  | Redemptor Hominis (1979) John Paul II (Redemption of Man) |
| LE  | Laborem Exercens (1981) John Paul II (On Human Work) (90th Anniversary of RN) |
| EJ  | Economic Justice (1986) U.S. Bishops |
| SRS | Sollicitude Rei Socialis (1987) John Paul II (On Social Concerns) |
| ECPC | Ethical Choices and Political Challenges (1983) Canadian Bishops |

[Such documents (GS, JW, MD, RR, EWW, EJ) although not written under papal direction are included since the promulgating authority depended on papal approval.]
Chapter 3 -- The Christian Social Vision

The Christian Social Vision

Idéal Society

Trinitarian Society

GAP (secular society)

Secular Society

Ideal Society

Church Society

Human Person = self-project engaged in a life-work task within community in order to become a full personality (self-realized) as a preparation of living in the Kingdom. (cf. also diagram on human person).

Five (5) Macro-Societies

1. **Trinitarian Society** (perfect persons/society in real order)
   A real society of 3 Divine Persons -- Father/Son/Holy Spirit -- which imprints the Imago Dei on created beings.

2. **Church Society** (unrealized persons/society except for realized XT in real order)
   A real society made-up of persons which manifests and prepares for the Kingdom Society. This society gives needed assistance to the secular society and the persons within.

3. **Secular Society** (unrealized persons/society in real order)
   A real (de facto) society made-up of persons who strive through development to become realized persons in a realized society.

4. **Ideal Society** (realized persons/society in ideal order)
   An ideal society; an exemplar which never has or can exist (uniquely in CST, a perfectly realized ideal person does exist in the living person, Jesus Christ)

5. **Kingdom Society** (realized persons/society in real order)
   A real society which has its beginning in this world but only fully present in the next world ("heaven").

**Integral Development** = self-inclusive fundamental right (moral power) which includes the sum-total of all the basic moral powers (cultural/material/spiritual/social) orders of family, economic, political, voluntary associations) of a dynamically interrelated and interconnected society. Integral development is the means of lessening the GAP between the secular and ideal order.
The first test of any philosophy or theology is whether it makes real sense in terms of the reader's experience. Does it enrich the reader's life? In considering Vatican documents, the question is whether their treatment conforms to the last hundred years of social encyclicals. After 40 years of reflection on these social documents, my conclusion is that they do. My early exposure was to the Classical documents, Rerum Novarum (RN) and Quadragesimo Anno (QA), and later to the modern social documents, Mater et Magistra (MM) and Gaudium et Spes (GS), etc. Recent openness has been to the neo-modern or latest documents, Populorum progressio (PP), Redemptor Hominis (RH), Laborem Exercens (LE), and, most recently, Sollicitudo Rei Socialis (SRS) with its emphasis on integral development.

**Five Macro-Societies**

Over the last hundred years, Catholic Social Teaching has formed a distinctive Catholic Social Vision. Unfortunately, not only have the Vatican social documents been a well-kept secret, even in Catholic circles, but the Catholic Social Vision has, too. The center or nucleus of the vision is the human person. But the family, made up of persons, is the building block of all earthly societies. A human person is essentially a social being, an image of the Trinity, having a basic need for society to complete itself, as well as to provide opportunities to display generosity, love and knowledge.

The Catholic Social Vision includes five macro-societies: Trinitarian Society, Church Society, Secular (de facto) Society, the Ideal (de jure) Society, and the Kingdom Society (cf. accompanying diagram). The human person has contact in all these five macro-societies and also is engaged through the family building block in the micro-societies: political, families, economic, intermediate, which make up both the de facto present secular society and the de jure ideal society.
3. The Vatican Social Documents (1891-1991)

Classical Vatican Documents (Esp. RN and QA) 1891-1961

These documents dealt almost exclusively with the Ideal Society: what should the earthly society become? Argumentation was mostly from the font of reason or "natural law" philosophy. By 1960 some social experts, B.W. Dempsey among them, felt that a framework of social principles was solidly in place. They did not expect to see more important encyclicals, but only the drawing out of known principles in greater detail.

Modern Vatican Documents (Esp. MM and GS) 1961-1971

With a shift in emphasis from the de jure, the should be, to the de facto, what is, major new social documents did appear. Certain old Classical social philosophers did not consider the new teaching of actual present events and signs of the times as appropriate material for Vatican "dogma." They held that such "application of principles" should be the daily work of the laity, not of Vatican documents. The de facto treatment (cf. MM and GS) detailed the shortcomings of the present situation, "the mess we are in," in relation to the ideal. Briefly, what is is considered in relation to what should be.

Of course, the illumination of principles continued with the further inclusion of the fonts of theology, sacred scripture, and social science (e.g., economics, political science, sociology). In addition to philosophical reason, these other fonts have made important contributions. Today, with emphasis moving to the de facto society, social philosophers and theologians are more likely to speak of Catholic Social Teaching, rather than using the traditional tag of Catholic Social Dogma.


The social problem broadened over these years and became a global problem, embracing all peoples, not just Christians and Catholics. In early Classical times the social problem was referred to as a social question: the maldistribution of income in the economic order. The gap between the de facto and the de jure of world society is
now treated, and the problem came to be seen as global. Thus, the global gap became the global problem. The recent encyclicals are putting forth integral development as the means to diminish or lessen the gap. The answer to the Global Problem is the achieving of rights (moral power and influence) in the various micro-societies. Integral Development means growth in rights of persons living in the family, political, economic, and immediate orders in an interrelated and integral unitary fashion.

4. Catholic Social Vision and the Human Person

Recent encyclicals have stated elements of a modern definition of the human person (cf. LE, et al; RH). The human person is described/defined as a self-project engaged in a life-work task within community in order to become a full "personality" (self-realized) in preparation for living in the Kingdom of God.

(See Diagram on Page 47)
This free human being, because loved by God, thereby has dignity bestowed on the person; constituting the person as essentially a social being and a worker.

The person is an image and reflection of Trinitarian Society, yet has a need to overcome inadequacies and incompleteness. Being a person is only relatively self-realized, opportunities are needed for growth in love and knowledge as a social being. Recent documents have emphasized the partnership of the human person with the Divine Persons. Together, they are truly co-creators and co-decision-makers. The human is considered a true, although admittedly a junior, partner with God.

Today's description of the (human) person includes engagements in a work-task (calling/vocation) both as a reaction and a response to God's love. The human person is constitutively/essentially a worker with a twofold purpose: firstly, to develop into a better person through virtuous achievement; secondly, and simultaneously, to produce a better society by mastering domination/submission over goods.

"Making up one's mind" (making decisions/choices). The whole earthly universe is summed-up in the human person. The person is not only a part of the rational but also of the inanimate, vegetative, and sensing world. All these levels are integral, interconnected, and interrelated within the person. When a person "makes up his/her mind," all levels of his/her being contribute to this final decision. More accurately, there are many levels that are determinants, including a co-creating partner God. Many determinants, rational, and non-rational, enter into any person's make-up and the making up of one's mind in coming to a decision.

In making up a person's mind, there is the unconscious organizing activity, plus the conscious decision-making. Such a human "switchboard" results in dynamic interrelationships. All the determinants (human and divine) work in relative "harmony" toward a conscious final rational decision. At each moment, the non-rational structures of a human person make a statement -- present determinants. At every moment, the person spontaneously organizes the data arriving to the nerve centers of the brain from the external senses and internal organs of the being. Fully conscious decisions are invariably the result of reflecting upon one set of components in fully conscious decision-making. This is a reflection on a
whole series of determinants rising (from a sub-conscious level).

The Dignity of the Person

God loves his creation, the human person. This theological fact gives the human person worth (dignity). Just as the fortunate child knows that mother loves him/her above all others -- an unconditional love giving the child worth and dignity in mother's eyes -- so God loves all persons unconditionally, thereby bestowing on them dignity. Thus, all persons have dignity (worth). All human persons, therefore, must be fundamentally equal. God does not love human persons because they possess worth, but makes them worthy because he loves them. The reverse would put the cart before the horse!

Knowing that one has dignity (worth) because loved by God can instill tremendous hope, confidence, and trust within a person. Immeasurably, this helps the person accept the pains and crosses of life -- perhaps cheerfully! For example, Father Dempsey was one of those fortunate people knowing -- and frequently expressing -- that he was loved both by his earthly and heavenly mother and God too!

5. Trinitarian Society

Drawing upon the theological font, apart from any relation to creation, the exchange of life and love between the Father, the Son, and the Spirit in the Trinity is unending. All three persons are needed to sustain Trinitarian Society's common life; hence, their unity with one another is strictly indissoluble. Human persons, being reflections and images of Trinitarian Society, must be naturally (essentially) social beings. While human society tries to achieve and keep the unity of the Trinity, the most achievable unity for a finite society is a degree of unity. The life flowing among the three persons is the metaphysical basis for the incorporation of created beings (mankind) into divine social life.
The Father -- First Person of Trinitarian Society

God the Father creates and conserves all creatures (human and non-human). The Father gives an impulse of life and love to each, giving them their very essence and existence. All beings are expected to act in accordance with their natures. Non-humans without choice (freedom) must act in such a manner. Human persons should follow their natures, but have freedom of choice, are not necessitated to do so.

In a broad sense, non-humans make built-in decisions in accord with God's directives. They are determined, that is, they must follow their natures, which are determinants of their actions. The human person includes in his/her very being all levels of non-human earthly being, but also has human rationality. On the lower levels, the vegetative, the sentient, etc., God works within the person giving a set mode of operation.

These non-rational or pre-rational operations (some of which must be resisted!) express these lower levels. These determinations are for the most part not consciously made by humans. (Of course, all determinations and decisions are made consciously by the Trinity.) Humans, however, for example, exert gravity, digest food, feel emotion at a non-rational or pre-rational level. When someone makes up his or her mind, these determinants, plus the conscious, rational function, come into play in making the decision. Only persons, rational beings, make conscious decisions, though with varying degrees of awareness.

Humans do make free decisions contrary to their very nature. No one says that they should go contrary to their nature, but they do. The nature and laws of a human being are givens. Freedom lies in the choosing between finite available goods. Of course, the degree of responsiveness is each one's personal decision. We remain free to respond -- make up our minds -- in the way we choose to the divine offer of life.

The Trinity of Human Persons

If any entity could say "no" to the Trinity's creation, it would, of course, cease to exist. In some way and to some degree, all beings must respond to their (created) natures. The degree of compliance may vary from one entity to another.
Human persons can relatively fail to respond to their natures; they are free to deviate. They can to a degree deviate from what the Father has in mind for them at any moment of world history. Such deviation brings evil, disorder, sin. Even subhuman beings seemingly can deviate to some degree from their natures, but not really. In other words, de facto there is disorder/chaos in creation, but not all chaos need be destructive. Sometimes chaos is paradoxically the necessary preliminary to the emergence of higher forms of order. For example, in the seasons of the year, fall brings dying, winter slumber, and spring sprouts forth new life. The Trinity continually adjusts at each moment, ultimately bringing the whole universe through evolvement to a Divine Milieu. Even Genesis speaks of order coming out of chaos. From a human vantage point, we tend to see chaos, disorder, suffering, as ends. But the stance of faith is that they may be glorious means moving toward a final, universal end. Generations of disorder may perdure, yet ultimately a higher good is to come forth from the apparent evil; order can evolve out of chaos.

The vision embodied in the divine aims of the Trinity for the universe must be the only basis for a true evolving lasting order within the universe. Over time the Trinity restores peace, the tranquility born of order. This gives serenity and harmony to the working of the world of creation. As was seen above, any creature must respond to this divine impulse in some degree simply to continue to exist.

**Jesus Christ: Second Person of Trinitarian Society**

Jesus Christ is working on all levels for all humankind. He works to achieve a better world and simultaneously to renovate the human persons within this better world. He tries to assist all to become better persons in a better world, thereby preparing all for the Kingdom of God. The more anyone responds positively and wholeheartedly to Jesus Christ's life work, the more s/he is in union with the will of the Father, namely, the Kingdom of God. Together with Jesus Christ, human persons as co-creators (partners) work to make a better people within a better society through the practical power of the Spirit. Jesus's life-task (vocation/calling), therefore, is to carry out the Father's plan, the
salvation of the world through the Holy Spirit -- preparing all humans for the Kingdom.

The Incarnation of the Son

In his Spiritual Exercises, St. Ignatius has the members of the Trinitarian Society look down upon this earthly universe to peer at the chaos reigning among the persons and within the de facto secular society. Chaos rules among individual persons, families, political and economic groups, etc. The Trinity's decision is to send the second person of the Trinity to enter this chaotic world and lead all men/women and the societies they live in to ordered life and, eventually, the Kingdom.

I try to enter into the vision of God, in his triune life, looking upon our world: men and women aimless, despairing, hateful and killing, men and women sick and dying, the old and the young, the rich and the poor, the happy and the sad, some being born and some being laid to rest. The leap of divine joy: God knows that the time has come when the mystery of his salvific plan, hidden from the beginning of the world, will become manifest [Sp. Ex. 106, 107, 108, tr. Fleming; cf. Luke 1:26-28].

The coming of Jesus Christ -- The Incarnation -- brings the divine presence and active power within the world of creation. Jesus arrives to do the Father's will, to bring the whole universe to its ultimate good, the Kingdom. Direct confrontation exists now between good and evil, order and disorder (chaos). Every created being (human and non-human) joins with the Son in building the Kingdom of God. This is carried on at every moment of existence through response to the life-giving offer of the Father in the power of the Spirit. The perishable world strains toward God. The earthly world's sole enduring value is its contribution to the fullness of the Kingdom.

The son Jesus submits to the promptings of his Father. At every moment of his earthly life, he either consciously or unconsciously coordinates his human thought and action with his ongoing response as Son of the Father. His humanity, therefore, becomes an ever more
perfect instrument for the revelation of what it truly means to be divine.

Holy Spirit -- Third Person of Trinitarian Society

At every moment, on all levels, the Holy Spirit works within the human person -- Paul calls us "temples of the Holy Spirit." This work is demonstrated by our non-conscious determinants and our conscious decisions. The Spirit takes the lead, guiding the human person to achieve the world good on all levels. Even the sub-atomic inanimate components make statements in accordance with their nature. Even more so do human persons, having rational decision capacity added to lower level determinants or sub-decisions. All the drives/inclinations of the human being are led at every moment of existence by the Holy Spirit to the good of the whole person. The Spirit guides these inclinations by directing and moving the person on all levels. This is often referred to as making up one's mind!

St. Ignatius, in his retreat treatise, refers to a similar process as Spiritual Exercises:

For just as taking a walk, journeying on foot, and running are bodily exercises, so we call Spiritual Exercises every way of preparing and disposing the soul to rid itself of all inordinate attachments, and after their removal of seeking and finding the will of God in the disposition of our life for the salvation of our soul [Sp. Ex. no. 1].

Making up one's mind, that is, being self-aware of determinants under the constant guidance of the Holy Spirit, makes human persons co-creators and co-decision-makers. This results in a real relationship with the Trinity, which may be designated prayer, friendship or fellowship and so on.
6. Trinitarian Society and Catholic Social Vision (CSV)

inner life

Trinitarian Society

outer life --

creates --

Outer Life of the Trinity (Economic Trinity)

creates --

conserves --

co-creates --

relates to entire universe --

3 Divine Persons living within a perfect society

creation, giving essence and existence to beings -- with outer life ordered to inner life

total universe, especially persons

total universe, including persons

making the human person a "partner"

through creation / conservation

7. Church Society and Catholic Social Vision (CSV)

Today there is a new "vision" of the Church Society. Emphasis has changed since Vatican II. There is less of an individualistic and more of a social approach, greater engagement in the work-task of the "marketplace," more participation and emphasis on the dynamism of the person who is in the process of "becoming." The world picture (vision) is now different.

Today there is no dichotomy between Church Society and (world) Secular Society. With the coming of Vatican II, the seeming split or drifting apart of the notion of being a Christian and being human is healed. No longer does this "schism" (split) threaten the Church. Christian humanization has been declared decent, desirable, authentic. Man is again asked to love the world, which is an image of God. It is up to men/women to make this world and society better. Man is again asked to live and love the world in the process of self-realization. Long before
Vatican II, B.W. Dempsey promoted the above and would feel gratified at this work of Vatican II and its aftermath.

The Church Society assists the Secular Society, incorporating the secular members into the "community of disciples," the Church Society. Dempsey would applaud. For 100 years, Catholic Social Teaching (CST) has put emphasis on the two-fold goals of the members to renovate themselves and reconstruct (build a better) society. Dempsey was in full accord. In his thinking there was no dichotomy between Church Society and the secular world. By this renovation and reconstruction of the present society, the "people of God" prepare themselves for the Kingdom Society; Dempsey would appreciate the emphasis on the final end, the "Kingdom Society."

The Church is not synonymous with the Kingdom of God. In fact, the Church is the divinely chosen instrument for the Kingdom's realization. The Kingdom is broader, including all of creation to the extent it is joined to the Son's ongoing relationship with the Father. The Church is basically a society, a community of disciples. The Church is described as an association of those human persons to whom the Father's plan for the salvation of the world has been fully revealed.

Christians alone profess belief in God as Triune. Christians alone believe that Jesus is the Son of God. The Church, therefore, bears a special responsibility for carrying on the work of Jesus, not simply as individual persons, but as members of a community called the Church. Christians are expected to internalize the very pattern of Jesus's life. Christians should think and act as Jesus did. Christians should respond to the inner promptings of the Father as Jesus did, in fellowship, friendship, or prayer.

Like all persons, Christians are essentially social beings. For a human person and a group to call themselves Christians, there must be established an immutable/unmistakable link with the very person and message of Jesus. This link must be visible in the behavior of that person or that group.

8. Ideal Society and Catholic Social Vision

Of course, the Ideal Society does not really exist. Nor should it be confused with the Kingdom. CST postulates the Ideal Society -- what ought/should be --today
in the image of the Trinitarian Society. The basic thrust of the entire Classical period was to present an ideal order, a "utopia." At best, the ideal can only be approximated in this life. Thus, for the most part, the Classical period of CST (1891-1961) presented what should or ought to be. The modern period of CST (1961-1991+) deals foremost not with the de jure, but with the de facto Secular Society. Modern CST deals with development, how the gap (the social problem) can be closed and how the Ideal Society reflecting unchanging principles can be approximately reached. Thus, the modern period is filled with change, historical sequence, signs-of-the-times, etc.

9. Integrative Development and Catholic Social Vision

Integrative development is defined as the "basic right of a person to participate progressively in rights:

-- on all four (4) levels of (integrated) being (supernatural/rational/sensible/vegetative)

-- in all social order (family/economic/political/intermediate)

-- and in the cultural heritage of society.

Integrative development refers "to the dynamic interpretation of all those fundamental human rights upon which the aspirations of individuals and nations are based" (JW, 15). Integral development is the means of modifying and relatively closing or lessening the gap between the secular and the ideal order. Today this gap is referred to as the Global Social Problem (GS/PP/SRS).

10. Kingdom Society and CSV

The Kingdom has its beginning in this life; completion must wait until the next. In this life, preparation is made for the full Kingdom of the next life. Wherever the presence and power of God exists within, the Kingdom lives (exists). The Kingdom is found wherever justice and fellowship (charity) abound.

The Kingdom is not some heavenly territory, but the way God shows his presence and power. God as Father has the great purpose to establish the Kingdom. Jesus,
behaving as his Father's Son, takes up the Father's cause. Jesus does not have his own personal agenda or program. His task is to carry out his Father's program, the establishment of the Kingdom.

Jesus Christ is King: King of the Universe, King of the Kingdom. Jesus called upon the Father to initiate the Kingdom. Jesus in the name of the Father gives a start to the Kingdom in history. The Kingdom is brought about by what Jesus does. From Christ's use of his presence and power, a fellowship arises (especially with the poor), which brings about reconciliation of unrealized persons ("sinners"). "Thy Kingdom come . . . on earth as in heaven." The Kingdom is the Triune God's final plan for men/women. The plan will be fully implemented, come into existence, in the next life. God penetrates and is present in this Kingdom of God forever. His Son is King of this heavenly society.

11. Universe in Development

The whole universe is in process of development. The world is in process of becoming (socialization), for the universe has not yet been perfected. The world is moving "beyond" this present tangible order of created beings. The whole created universe -- the Christian Social Vision universe -- is groaning through and through in constant pangs of childbirth. The Triune God draws man and society toward a complete fulfillment. Through the course of time, creative, co-creative, and continuing creative action go on, moving the entire CSV onward/upward into eternity. All creation has a thrust that moves onward and upward to the final destiny.

"Le Milieu Divin," the whole cosmic picture vision, the plan of God, must be won back for and with God, says Teilhard de Chardin. Creation still retains the hope of being freed and developed. "Creation retains the hope that in the end the whole of created life will be rescued from the tyranny of change and decay . . . at the present time all created life groans in one great act of giving birth" [Cf. Rom. 8:21-22]. All the elements of the entire universe are moving (developing/evolving) toward a total good (destiny).

Positively within the universe is the divine urge, a basic urge of generosity and development implanted in the human person, as well as in the cosmic universe. The universe is becoming, engaged in its self-realization.
Within the universe exists sheer potentiality for final achievement of success (St. Thomas Aquinas). Catholic Social Vision develops and evolves over time, becoming more and more an image of God.

All created beings (human or non-human) are created to praise, reverence, and serve the three divine persons and by this means reach the Kingdom. All creatures, and all created societies, are each for the other, to help each attain the purpose of their creation. Essentially, (by their natures) they depend upon one another. This constitutes the God/World (cosmic universe). All the inclinations/drives of all beings at every moment contribute to the building of the Kingdom of God, now and for eternity. Pierre Teilhard de Chardin speaks of this notion as an ongoing "hymn of the universe."

The whole universe, through its co-creator, is united as it moves through evolution to its final end. All beings further the universe goals. Even free will persons can only temporarily impede the universe's motion toward its goal of existence -- life.

To conclude, Dempsey's scholarly attainments are preserved in his writings for all to see. His four main economic ideas will be treated in depth in the remaining chapters of this book:

- Chapter Four: Economic Synthesis
- Chapter Five: The Just Price
- Chapter Six: Interest and Usury
- Chapter Seven: The Functional Wage

In his 20 active years he published 60 articles and 12 books. The above chapters should prove helpful for an understanding in some depth of B.W. Dempsey's principal contributions. Notwithstanding, the chapters are no substitutions for reading his ground-breaking books and articles themselves -- Interest and Usury, The Frontier Wage, and articles on just Price (cf. Bibliography).
PART II
ECONOMIC SYNTHESIS

I. THE BREAKDOWN OF ECONOMIC ORDER

Whether or not B.W. Dempsey had a set of unifying principles running through his socio-economic writings is certainly not clear to the casual reader. Possibly, such a unique synthesis of thought could elude even some who make a closer scrutiny and study of his works. Always the analyst, seldom a conscious synthesizer, B.W. Dempsey himself saw "unity" in the accomplishment of his purpose. He considered unity as an effect of order [F,55] and approvingly quoted the traditional definition of order: "Unity arising from the apt arrangement of a plurality of objects." He considered that his writings were a unified whole. Reviewers of his works, friends, and critics were apt to criticize what they considered a "lack of unity." Dr. Stephen Worland neatly expresses this common criticism in his review of B.W. Dempsey's The Functional Economy: "the author [B.W. Dempsey] cites St. Thomas and Aristotle on the evils of excessive unity and he gives ample heed to their warning." In all fairness, Dr. Worlund, in his most excellent review of The Functional Economy, goes on to point out that "though not apparent to the casual observer, an underlying theme persists throughout the book and provides unity among diversity." Since The Functional Economy is a collection of B.W. Dempsey's writings and essays over a twenty-five year period, the unity must come from a unity within B.W. Dempsey's thought; certainly, such organization is not apparent in the arrangement and make-up of the book.


2Ibid., p. 174.

3As B. W. Dempsey incorporated much of his periodical writings and almost all of his thought into The Functional Economy, only on occasion will it be necessary to refer to his many articles written for periodicals. This does not hold true for books or chapters written for books.
Although B.W. Dempsey would have been "pleased" that this unity was seen by so able a reviewer of his work (and that unity or underlying theme certainly exists), he himself places the "unity" that he confidently assumes and asserts in his writings on an entirely different basis. Always suspicious and critical of a "social progress" that was based on an apparent "solution" of social problems without a full and conscious knowledge of their underlying principles, B.W. Dempsey would be quick to deny that a proper orientation, that sound practice, could exist without sound theory, that any long-run social progress could be achieved unless the principles were known and applied. He saw unity in his writings because his writings never deviated from his one purpose of stating and making clear the principles needed for a solution of a social problem. Quoting from the preface of The Functional Economy:

There is a unity in the chapters that follow; the same principles are brought to bear on diverse problems. The principles are the same, and the radical basis of the conclusion is therefore the same. However, there is diversity in the problems attacked, in the level of abstraction, therefore, also diversity in the immediacy of practical application and in the degree of scientific apparatus appropriate for different problems and different audiences. The underlying unity, however, justifies the presentation of these pages as one book [F,V].

No single work by B.W. Dempsey contains a complete synthesis of his economic and social thought. He never saw the need to present such a synthesis. His purpose was professedly the "improvement of the economic community." His interest, purpose, unity were elsewhere. He, himself, would have a certain suspicion of making such a synthesis as diverting him from his true purpose and maximum good with the possible assumption of making the mistake of Socrates, "of thinking that the maximum good lay in the maximum unity" [F,V]. Nevertheless, B.W. Dempsey did possess such a synthesis of thought, even though it is not explicitly found in his writings. This not only becomes apparent from an examination of
the consistency of his writings, but their effectiveness, the reception they received, create the presumption that he followed a rather definite system in his economic thinking.

In any presentation of B.W. Dempsey's writing, in order to present the unique synthesis of his thought, cognizance must be taken of his own realistic approach. Always realistic in his approach, he blueprints no ideal order, but begins his endeavors by examining systematically the forces and facts present in every real working economy. With this groundwork accomplished, he is ready to "project the ideal situation," but only with "intelligent adherence to the enlightened teachings of the Church and constant awareness of the lesson that history can achieve, against the background of historic and existing economic communities" [F,V].

A. The Guild System

Certain facts are apparent to B.W. Dempsey. The guild system, an institutional structure sound in principle, has been wiped out. No principle of organization has taken its place. The state, as a result, is "overwhelmed with tasks for which it is not yet equipped" [F,284]. Present economic communities are bereft of a true principle of organization. This ensuing disorganization is due to certain causes. He analyzes the conditions and causes. To understand his thought, it is necessary at this juncture to sketch these ideas in more detail.

With the breakdown and destruction of the "guild system as a method of economic control," the "means of improvement of the economic community" came to an end. To this very day the guilds have not been replaced, and until their principles are again in economic society, there can be no true economic community. B.W. Dempsey evaluates well their place and importance:

Light and shadow are well-blended in the guild scene. But associations were economically efficient. They [the guilds] did raise the volume of regular production of useful goods and they distributed the increased product equitably, at least within the system. The principle of their organization is sound. Living and growing as it did when it
extended from merchant to craftsman, it had unlimited possibilities. But when lower grades in the community were excluded from enjoying the same type of status as that possessed by those already organized, the guilds belied their own vital principle, withered, and were destroyed. The void that their ultimate extinction left has never been filled, and the complete absence of a common way of life among moderns makes it a fair question whether or not there is a sufficient substratum of natural virtue to enable people to get together on an associational basis to fill that void. The guilds were possible because there was a prevailing pattern of social thought that no one questioned, and that could be used as a foundation for social action. Today, far from agreeing upon the nature of man and his destiny, the schools are at loggerheads over the preambles of philosophy. Yet if we cannot find some reasonable principle for common action, it is still true that "all the crafts will be destroyed" and the "community will not be maintained" [F,103-104].

"Some reasonable principle for common action" -- a sound socio-economic organization -- is necessary if the economic community is to improve and minister to the well-being of man. Proper principles again discovered and applied to a modern scene is a basic need. "It will not be denied that the ideas and ideals of men have force in the shaping of their history and institutions" [F,95].

B. Causes of Disorder

"Disorder is the essential note of our society" [F,105]. "Our contemporary society seems to be almost unique among the societies of which we have any accurate historical records in that it is concerned with an almost universal revolution" [F,105]. B.W. Dempsey then indicates the extent of this universal revolution:

But in our generation, revolution and the dissatisfied attitude that makes possible the
spread of revolutionary ideas are not limited to the forms of political organization. Every social institution is under fire and the whole question of the nature of man, the number, the quality and origin of his rights, if any, and the social institutions best suited to such a man, family, civil communities, industrial organization, are all called into question at the same time. It is thought we could say that previous generations dealt with social questions whereas our generation is concerned with the social question [F,105-106].

In the course of his life, B.W. Dempsey touched upon all the above-mentioned. We need not pause to consider some of these, e.g., nature of man, rights, etc, as his treatment does not differ from sound "traditional philosophy." His genius and contribution are directed in a different direction.

With characteristic boldness, B.W. Dempsey does not hesitate to delineate the causes of what he calls the "complete disorganization" of society. "This complete disorganization," he asserts, "is the result of five revolutions which, despite origins in the past, have in our generation converged in their damaging effect" [F,106]. Immediately, B.W. Dempsey states why it is important to set out these five revolutionary causes of the disorder beyond their complete disorganizational effect upon society. "To understand these revolutions," he says, "is not only useful in appraising the society in which we live, but such understanding is also indispensable in order to know what is necessary for its rehabilitation and what methods will succeed in achieving that rehabilitation" [F,106]. Always, his objective is the "improvement of the economic community." Briefly, this study will now indicate what B.W. Dempsey considered was the chief damaging effect that each of the five revolutions had upon the economic community, resulting in society's "disorder" and "complete disorganization."

1. The Protestant Reformation [F,106-107] ... is "the first of these revolutions." The result is that the great mass who today call themselves Christians are "without any genuine knowledge of Christian
teaching." The practical significance of this in the economic world is that we have been living on a Christian momentum that is gradually running out. B.W. Dempsey expresses it with economic succinctness by saying that "we have been living on our religious capital and we are rapidly approaching a genuine religious bankruptcy" [F, 107]. Practically, this leaves many "who recognize no law external to themselves" whatever in "control" of our economic community.

2. The Commercial Revolution "completely reoriented the commerce of the world." Yet "the significant fact" that B.W. Dempsey points to "is that this greatly expanded and constantly expanding market was developed without any acceptance on the part of the traders of any common doctrine of just conduct in economies" [F, 108]. This is in contrast to the "medieval economic social organization," which B.W. Dempsey points out "did quite a creditable job in governing such local markets for the common good." Hence, whatever the economic gains, the commercial expansion meant a social and moral loss to the common good. The commercial movement "expanded our economic universe making available a greater and greater quantity and variety of goods," but, as B.W. Dempsey significantly says, "without progress in the development of the government of these markets for the benefit of all human beings" [F, 108]. "Thus," B.W. Dempsey concludes, "the remote foundations of the great expansion of modern times were laid without consistent principle commonly held to direct that expansion" [F, 109].

3. The Industrial Revolution, as Arnold Toynbee summarized in his study, "is the substitution of competition for the medieval regulation which has previously controlled the production and distribution of wealth" [F, 110]. B.W. Dempsey quotes this definition approvingly, but not without qualification: "To be perfectly accurate," maintains B.W. Dempsey, "this expression should say 'competition alone'" [F, 273]. Continuing, our author states the implications of this

"F, 110; Arnold J. Toynbee, Lectures on the Industrial Revolution of the Eighteenth Century, Popular Addresses and Other Fragments, (London: Longmans, 1908)."
"rectified" definition. While not coming to the defense of the "degenerate guilds," he does emphasize that the "important thing is that these institutions were replaced by a principle that pretended to be an automatic and complete regulator of the economy" [F,111]. An explanation of the extension of this principle was clearly expressed by B.W. Dempsey: "Competition was regarded as automatic in the sense that it not only regulated markets that had been already organized but that it organized them perfectly in the first place. It was regarded as complete in the sense that no antecedent, supplementary, or auxiliary principle was needed to effect the most economic distribution of available resources" [F,111].

"Competition, although a useful principle, is a secondary and incomplete one." B.W. Dempsey quotes the above from Quadragesimo Anno as a source of authoritative criticism of free competition, a principle regarded as automatic, incomplete, and primary.

Free competition, however, though within certain limits just and productive of good results, cannot be the ruling principle of the economic work; this has been abundantly proved by the consequences that have followed from the free rein given to these dangerous individualistic ideals [F,222].

"Competition must operate within a given framework," B.W. Dempsey concludes, "as all persons have an obligation in social justice to see that the terms of competition are actually such as to promote the common good and are kept constantly amended in changing circumstances with the end in view" [F,111].

Admittedly, "the removal of outmoded regulation" by the so-called "Industrial Revolution" released productive resources. But B.W. Dempsey is more interested in the "incalculable hardship on human beings" imposed by the "reliance on an incomplete and inadequate principle of economic organization." Characteristically, he concludes his treatment of "Industrial Revolution" by pointing out how it "left economic society without a solid constitution within which to conduct a competi-

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5Quadragesimo Anno, paragraph 88.
tive business firmly directed to the common good" [F,1-12].

4. The Revolution in Finance came about when new bank borrowing practices resulted in an expansion of money. Today, it is common economic knowledge "that banks do add to the effective money supply" [F,114]. No one claims any longer that the individual bank acting alone can "create" money supply; all agree that the same bank acting as part of the banking system can and does do so. This relatively modern banking phenomenon had far-reaching results. B.W. Dempsey emphasizes two of these effects of money or credit creation that can add to "disorder" and "disorganization" of the economic community.

The first important effect is that such a revolution in finance "has enormously increased the power of governments" [F,114], for government has now a source of borrowing at negligible cost money that enables it "to spend sums which may cause important changes in the economy and to do this without consulting the taxpayer" [F,114]. To consult a taxpayer in the creation of modern (paper) money is not necessary because the cost is so negligible. To produce any other good, labor, capital, and so on, all cost items must go into their supply. In the chapter called "Price of Money" in his book Interest and Usury, B.W. Dempsey significantly observes that "the supply of real capital is limited by purely physical conditions, while the supply of money is, in theory, unlimited and even in practice is held only with fairly elastic boundaries. "In other words," he says, "there is one element in the price system where 'p' (price) has no relation to 'q' (quantity); when persons desire money with which to control present resources, the increasing marginal utility of money in hand is not reflected in any increase in the price of the "product" [I,107].

Banks, the creators of money, must be firmly regulated, much more so than producers of steel, flour, autos, and so on. The primary reason for control is that banks' activities affect the money supply and therefore the economy's health. B.W. Dempsey warns of the danger inherent in modern money creation. "The supply and demand for goods for any purpose, hoarding included, have objective restrictions; but when the
需求的钱可以决定供应，然后任何价格变动都是可能的" [I,30].

5. **The Political (French) Revolution** "created a society which was not only an actual break with the past but a break based on the principle that whatever was ancient, medieval, or Christian was bad and was to be got rid of merely because it was ancient, medieval or Christian" [F,116]. Long ago in a classic manner Edmund Burke exposed the weakness and disruption of the French Revolution. Referring to France, he says:

... you had all these advantages in your ancient states; but you chose to act as if you had never been molded into civil society; and had everything to begin anew. You began ill, because you began by despising everything that belonged to you. You got up your trade without a capital [F,117].

B.W. Dempsey was fond of quoting this passage and other passages from Edmund Burke's *Reflections on the French Revolution*. The French Revolution's "example" and "new doctrines" disrupted numerous economic communities. As a practical result of the French Revolution -- with its insistence that groups intermediate between the state and the individual must, for the sake of "quality," be abolished -- the two extremes of liberalism and socialism arose.

C. **Class Conflict**

With the absence of sound social organization and the substitution of either extreme liberalism or socialism came two unfortunate results: unrestrained class conflict on the one hand, and, as an ill-advised antidote to the first, depersonalized bureaucratic statism. B.W. Dempsey spent much time and effort in writings, lectures, and speeches castigating these twin evils. Time and again he hit at the "erroneous" Ricardo-inspired notion that class conflict is unavoidable [Cf. F,8; 59; 143-144; 208; 242; 208]; the following statement is typical:

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6Edmund Burke, *op.cit.*, pp. 23, 33-34.
The acceptance of class conflict not merely as a fact but as a valid principle has been, if not actually universal in American industrial society, at least very common indeed. This one erroneous idea, common to both liberalism and socialism, has been accepted as a settled and established point of departure in disputes by labor and business alike, and by the congress and the courts which viewed the industrial world in which these factions live, interpreted it, legislated for it, and made decisions concerning it [F,144].

He reserved his sharpest criticism for the socialist theory of class conflict:

But it is one thing to admit the opposition of particular interest as a fact in various concrete circumstances and another thing to accept permanent opposition of one particular set of economic interests as the determining factor in all economic history and in all current economic relationships. Class struggles as a fact come and go, causing more or less harm and distress as they go. The class struggle as the eternal and decisive principle of economic life has neither historical nor analytical foundation. The community of interest of "capital" and "labor" in production on-the-job has more reality than this putative class struggle [F,154].

His constant emphasis on the disordering effect of class conflict stemmed from his conviction that "before anything can be done to release the powerful forces of which that cooperation can be the source, labor and business must both discard their Ricardian-Marxian bifocal spectacles and look at the facts as they are in themselves, not as theory has made them" [F,146]. "Beneath the superficial and induced conflict," B.W. Dempsey always saw lying the "reality of productive cooperation." His basic class lesson was always that "class conflict is neither necessary nor inevitable." This is where all reform and economic community must begin. Unless the truth about the fallacy of class conflict is realized, cooperation is impossible. Without social
cooperation, no real economic community is possible. "However real particular conflicts may have been in the past, however widespread and deep-seated false theories may have rendered them today, the class conflict is neither necessary nor inevitable" [F,146]. "Before anything positive can be accomplished the road must be cleared by the abolition of class conflict, and this is the first obligation of the state and of every good citizen" [F,284].

D. Principle of Subsidiarity

The Guild System as "institutional structure sound in principle had been wiped out." With the absence of an internal principle of order necessary for a sound social organization, the state is forced to "substitute" and as a result is "overwhelmed with tasks for which it is not equipped" [F,284]. "This is a violation of the principle of subsidiarity," asserts B.W. Dempsey, and adds, "recovery depends upon its observance." As should be expected, B.W. Dempsey made much of this principle. An examination of his writings seems to show no original research; he seemingly was content to rely for the analysis and importance of the principle of subsidiarity on the authoritative pronouncements of Pius XI; on the interpretation and explanation of this principle given by Oswald von Nell-Bruning; and on quotations from St. Thomas Aquinas showing the underlying reasons for the necessity of observance of this principle. Here is one brief excerpt from a much longer passage quoted by B.W. Dempsey in The Functional Economy:

According to the principle of subsidiarity the state is entitled to as much legislative power as it needs for its task as supreme guarantor of common good, that common good to which it had to supply as one of its essential contributions, the necessary uniformity of law and the inviolable security of inter-
nal peace. No more legislative power, but no less either, is due to the state [F,119].

"Violation of the principle," B.W. Dempsey adds, "had robbed men of perfective activity and especially of that peculiarly perfective activity, the acceptance of responsibility in [their] work-a-day relations and decisions" [F,284]. Building upon this argument, he quotes from St. Thomas. "To preserve the perfections of things governed and not to diminish them is a proper function of government" . . . "This optimum in any government is that things governed be provided for according to their own capacity, for in this does the justice of a government consist. If men were prevented by the governor of a community from carrying on their own functions, this would be contrary to the principle of human government, unless perchance it be done occasionally for a brief time in some emergency." 8

"Since things governed are by government to be led on to perfection, government is the better precisely to the degree that greater perfection is communicated by the one governing to those governed. It is a greater perfection that a thing should be good in itself and also be a cause of good in others, than it should be good only in itself." 9

A government, B.W. Dempsey would insist, which interferes with the free functioning of a human personality, stunts the development of that personality. As one man may not use another namely as a means to an end, so neither can the state. A government which takes over for its citizens functions which they can adequately perform for themselves forces them to a less virtuous life. B.W. Dempsey gives several examples showing this loss of virtue due to violations of the principle of subsidiarity. "They will be less prudent or less provident, less resourceful. They are lesser men than they could have been." To govern a thing is


9 S.T., I, q. 103, a. 7.
to direct it to its end. When a state violates the principle of subsidiarity, it directs its citizens to its own end, not to the proper end of the citizen, which is his fullest possible development as a person. This is the complete reversal of the function of government. "Subsidiarity," observes B.W. Dempsey, "has been given classic expression by Pius XI:"

As history abundantly proves, it is true that on account of changed conditions many things which were done by small associations in former times cannot be done now save by large associations. Still, that most weighty principle, which cannot be set aside or changed, remains fixed and unshaken in social philosophy: just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to greater and higher associations what lesser and subordinate organizations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them.  

B.W. Dempsey considered it obvious and beyond argument that "modern states have violated the principle of subsidiarity in a wholesale manner by rushing into the gap left by the failure to develop economic justice when these relations outgrew the form of the household economy." Then, more precisely, he indicates that the "nature of the failure is that the political state imposed political justice upon economic communities, instead of calling upon economic agents to use their prudence as an intellectual and moral virtue to find and apply means of extending the principles of economic justice from the household to the firm and industry." Of course, this failure in order through subsidiarity principle violation could not help but be "heightened by the injection into a real problem of the

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10Encyclical: Quadragesismo Anno, paragraph 79.
synthetic theory of universal and inevitable class conflict."

II. PRINCIPLES OF SOCIAL ORDER

B.W. Dempsey's conception of an ordered economic community is, of course, largely an interpretation of Pope Pius's XI's plan for a social order. At every point he made a conscientious effort in his interpretation and application to keep faithful to the spirit of the entire body of papal teaching. Always, he drew a delicate but clear line of demarcation between the doctrinal teaching of the Church and his own economic analysis.

A. Organic Order

Only after a sufficient delineation of the negative elements of class struggle, unregulated competition, and the false relation of the modern state to society does B.W. Dempsey turn to positive elements that make up a "good society" or "economic community." B.W. Dempsey would never regret the length of his repetitious treatment on class conflict, for he considered the "abolition of class conflict" as "the essential condition to the restoration of social order." He knew in his emphasis that he was "thinking with the Church." His own reference for this emphasis harks back to the encyclical Quadragesimo Anno, paragraphs 81-83; 112-114. Certain salient excerpts from these passages dutifully illustrate the need for this emphasis:

81. Now this is the primary duty of the state and of all good citizens: to abolish conflict between classes with divergent interests, and thus foster and promote harmony between the various ranks of society.

82. The aim of social legislation must therefore be the re-establishment of vocational groups. Society today still remains in a strained and therefore unstable and uncertain state, being founded on classes with contradictory interests and hence opposed to each other, and consequently prone to enmity and strife.
83. . . . demand and supply of labor divides men in the labor market into two classes, as into two camps, and the bargaining between these parties transforms this labor market into an arena where the two armies are engaged in combat. To this grave disorder, which is leading society to ruin, a remedy must evidently be applied as speedily as possible.

B.W. Dempsey did treat improvement in utilization, distribution and administration of property with due concern. He considered them "important aids" in removing causes of class conflict. But if there is to be order instead of disorder, harmony must replace class struggle. The necessary condition, not the cause, of a just social order is the elimination of class conflict. Ranging over the entire social field, B.W. Dempsey wrote, among other topics, on the just wage and just distribution of wealth. These he would insist lead us to the "threshold" of a sound economic community. He reiterated papal doctrine when he stated that there "should be access by all to property in its twofold personal and social function, a fair distribution of income and just wages." Respect is demanded for the "fundamental right possessed by every man to use the goods of this world," respect for human labor, care for function of capital in the development of society and of persons.

Nothing of this is accidental. Nothing can be left out of account. All will help the economic community to the "threshold" of order. But "order" of itself does not consist of the necessary condition, social order; the elimination of class conflict; or the threshold through necessary activities treated above. "Order" in society is the dynamic principle of all these tasks. His long treatment of the guilds in their "limited local activities" was not to advocate their return. Forthrightly, he states that "there is little for us to learn directly from the guilds" [F,279]. He is sharply critical of the fact that they "never functioned effectively beyond a local market" and that their fame or infamy comes "through their faults and limitations" rather than their virtues. Then he clearly pinpoints their importance. "The only thing that the guilds have to offer modern industry and commerce is a functional
principle of organization both within an industry and in the relation of industry to the state and to other industries. There is a great need of a revival of the functional principle, and if the functional principle were successfully applied to modern industry, it would take a smart medieval guildsman to recognize that the same principle was at work under the greatly changed conditions" [F,279].

With the disappearance of the guilds, an internal principle of organization or order was lost. The Industrial Revolution had no principle of organization. It held, in effect, that "natural economic forces" not only regulated existing markets, but constituted markets where none existed" [F,314]. Thus "markets were left to establish themselves." The result was a vast gap in social organization. Our economy became "theoretically rudderless" [F,329]. Thus, concern for the well-being of the person -- for his material welfare and, more importantly, for his need as a person to exercise responsibility and to control his own destiny -- requires that functional groups, similar in principle to medieval guilds, be re-introduced into the social structure. "Order is what we are seeking in the economic field" [F,366]. This order will come through discovery and felicitous application of principles to the existing economic community. "Order presumes some end toward which things are ordered." Social order is the "arrangement" of human persons in a "variety of social institutions organically linked together" [F,367]. Social life is organic, according to B.W. Dempsey, if social life develops from an internal principle and feeds and grows on what is around it [F,307]. A social life attempted to be brought about by extrinsic principles or external forces will have no vitality, no real life. A truly human social order must be personal and social at one and the same time. To have a sound economic community, the growth must come from within. Then only can institutions grounded in personal responsibility which are necessary at all levels of society be established. Today's society needs to bring back to life intermediate bodies which would be free associations with regard to the state -- although they will have to be recognized by it -- and free also in their internal affairs.
Human society, in a certain sense, necessarily forms a social and organic body. In accordance with Papal doctrine, B.W. Dempsey gives constant emphasis to "a truly organic body" [F,207].

An organism has a true internal directive principle. Economic life has been organized in modern society on the mechanistic principles of Liberalism supposedly leading to an equilibrium of mechanical forces offsetting each other. At the opposite extreme, national socialistic societies have been organized with economic society held together only by an extrinsic bond. Neither of these brings into existence a "truly social and organic body . . . economic society must have an intrinsic principle" [F,207].

Hence, B.W. Dempsey considered social order a unity, one group ordered to a common end. Society is one, not with the unity of a physical (biological) organism or of a substance, but with the unity of free and rational agents intending one end and working together for the attainment of that end. The unity of society is governed by an inner (intrinsic) principle, that is, by the common end of mutual supplementation. To his purpose, B.W. Dempsey quotes from the Reorganization of Social Economy: "as in the living organism, it is impossible to provide for the good of the whole unless each single part and each individual member is given what it needs for the exercise of its proper functions, so it is impossible to care for the social organism and the good of society as a unit unless each single part and each individual member -- that is to say, each individual man in the dignity of the human personality -- is supplied with all that is necessary for the exercise of his social functions."\(^{11}\)

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B. No Blueprint

B.W. Dempsey never looked upon the "vocational order" as a plan or blueprint which could be applied in the same manner to all countries and conditions, but rather as a presentation of certain principles that should serve as a foundation for "the re-organization of the social order. Associations of human beings, however basic and natural their principles, cannot and should not be blueprinted like machines" [F,305]. Again, "to project the detailed form of economic institutions is idle fancy" [F,322].

His presentation of a sound economic community begins with the present institutional arrangements. "No matter where we are we must start from where we are." With Edmund Burke, he thought that the French Revolution's total rejection of the past had done untold damage to society. "You [France] might have repaired those walls; you might have built on those old foundations" [Cf. F,116]. "Institutions should be studied as they are, and the relevant moral concepts must be studied as they can be applied to these institutions as they are." At no time did he consider it desirable to tear down a sound building just because the roof was in bad repair.

C. Natural Community

The present social order is never completely bad. Always, there are good elements present. In existence behind and beyond the opposition of classes was the idea of a natural community. In his search not for a blueprint but for principles that could be applied to any existing institution for the ordering and "improving of an economic community," he was quick to point out that the "naturalness of economic community is not only a principle, but it is a social principle" [F,305]. He was fond of saying that "man does not become something entirely different when he goes to work" [F,305]. "There exist in the United States genuine functional communities, large groups of people who have

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a common interest, a common task, a common purpose. These persons, regardless of location, form a functional community quite as real and almost as important as the civil municipality" [F,320-331]. "Functional association is the first principle of human organization in economic life, as in all other life" [F,319].

Everyone recognizes that close and enduring association is the first principle of organization in civil and domestic order. Moving into the economic order, B.W. Dempsey points out that, analogously, the "man who goes to work is the same citizen and husband." This analogy seems to require that the "first principle of economic life be association rather than competition" [F,293]. Men in society should be "united according to what they do and contribute, namely, their function" [F,304]. "Economic community begins with the physically co-operating members of the producing unit. These people live and work together, constantly communicate, and share knowledge, experience, and the results of their joint effort. They genuinely have something in common (the basis of community), and within this working unit, self-government of the economic community must begin" [F,320].

His contribution in this part of social thought, therefore, came from the development of the proposition or thesis in Quadragesimo Anno, paragraph 83, namely, that "nature induces those who practice the same trade or profession [to] combine into orders." These autonomous groups are necessary for a stable and healthy economy. In support of this thesis, B.W. Dempsey presented historical considerations -- historical and statistical data in support of the co-natural character of the economic municipality: analytical considerations drawn from man's social nature -- towns are natural to society, integral to social well-being; an argument by analogy with domestic and civil society; and many arguments from many divergent authorities who, having experience of modern societies, drew the conclusion of the usefulness of functional organizations.¹³ His own conclusion: "the order, the autonomous economic community as municipality, is natural." Society must be

"united according to what they [men] do and contribute, namely their function" [F,304].

D. Justice

The "first principle of organization of markets and self-regulation of industry" is the virtue of justice.\(^\text{14}\) Justice is traditionally defined as the vir-

\(^{14}\)Justice -- a stable and constant inclination, that is, a virtue which prompts each to render to another that which is his due.

A. Particular Justice

1. Commutative Justice -- Man to Man Relation
   Called commutative after its major part, which concerns contracts of exchange. It also concerns anything which may be due to another, for example, property lost through theft or damage, or anything else which can be appraised at a price. It exists between two mutually independent equal determinate individuals (usually human persons but may be corporations or states). The virtue which prompts a man (in exchange transactions) to render to another that which is his due in strict equality.

B. Common Justice

1. Distributive Justice -- Relation of Organized Community to Individual Member
   The virtue of distributive justice resides in the executive. The virtue which prompts the administrator of any community to render to each member of that community that which is his according to a proportionate equality.

2. Contributive or General Justice -- Relation of Man to Unorganized, Imperfectly Organized, or Disorganized Community
   a. Legal Justice -- Relation of Man to Organized Community (usually of citizen to state)
      The virtue which prompts a member of any community to render to the community that which is theirs as defined by positive ordinances.
tue, or constant and stable habit, to render to each person that which is his due, and being a virtue, it resides properly and primarily in morally free persons [F, 218]. "And it is as habits, that is, a bent by which acts are performed readily and easily, that virtues affect social order" [F, 218].

1. Exchange Justice. Briefly, B.W. Dempsey discusses justice as it touches upon the economic community. The "forms of justice" he calls "the pillars in the structure of Scholastic social thought" [I, 133]. "The central action," he says, "that is to be governed by the virtue of justice is the transaction of exchange between two persons. In this case, we speak of commutative or exchange justice and that virtue governs all contracts of exchange, explicit or implicit, such as purchase and sale, hiring or renting, leasing, loaning, and the like, and the restoration or respecting of the economic goods of another, independently of contract" [F, 218].15

"The attainment of equality in exchange is the work of commutative justice" [I, 135]. Much of the treatises on justice and right is concerned with determining what things are equal, and this obviously involves a theory of value, price, and money" [I, 135]. Molina is approvingly quoted by B.W. Dempsey when he says that "commutative justice consists in equality as to value between price and object" [Cf. I, 135 quoting Molina, 365:10].

b. Contributive Justice -- Relation of Man to Unorganized, Imperfectly Organized, or Disorganized Community

The virtue which prompts a member of any community to render to the community that which is theirs as defined by the demands of the common good.

[F, 222]

15Justice in relation to exchange will be taken up in a separate heading. B. W. Dempsey, realizing the importance of understanding just price and its corollary, interest and usury, devoted much of his writings to this general topic.
Exchange is fundamental to human society; it is natural in the sense that it so obviously meets human needs that intelligence will seek it out and use it. Exchange is a natural necessity to human nature in order that society move on that level which is consonant with man's obvious aptitude and exigency. As man freely but inevitably builds a society around him ("inasmuch as no man is sufficient unto himself") so within that society man will inevitably exchange, not from any internal or external compulsion but from a direct rational grasp of his own human nature in relation to a concrete practical situation. In such transactions in which men communicate in social life, it is "in accord with right reason," and therefore "natural" and "just," that the exchange be at an equality. Both parties need the social framework within which they operate. Each needs the goods of the other. Each wishes and intends to get the full value of what goods he has to offer. Neither has the right to subordinate the other to his purposes. Commutative justice will see that this value is received, all of it, but not more [I,136].

As B.W. Dempsey recalls, "the principle of Thomas Aquinas is accepted by all" [I,136]. Exchange thus arises from man's personal needs, but from a personal need that is not distinct from his need for society.

2. Distributive Justice  "Distributive justice is of wide economic application, and may not be lost sight of in regulation of the public economy" [I,134]. Distributive justice applies to the executive, and obliges him to secure for each member of his community his due and proportionate share of both the advantages (e.g. subsidies) and the burdens (e.g. obligation to pay taxes) which are involved in the conduct of the community. Thus, the agent or "distributor" of the goods of the community apportions those things which belong to the community to individual members who are parts of that community. "A very simple case of distributive justice," B.W. Dempsey opines, "is the progressive income tax" [F,219].
Nothing belongs to an individual as exclusively his; all that belongs to him is a share in something common to everyone. Good practical judgment, "an exercise of prudence," is needed to decide what personal considerations are morally relevant to a given case. "The equality of distributive justice is of a special kind: unequal things are given to unequal people. Compensations by means of punishments and reward would not be just, if all rewards and all punishments were equal."\(^{16}\)

Determining what is the due (the right) of any one person can only be effected from the position and viewpoint of the "executive" -- the one responsible for the common weal -- for the very reason that a due and fitting share in the common good is involved. In exchange (commutative) justice, the obligation is paid; in distributive justice the obligation is allotted. In exchange justice, a purely numerical, quantitative equality is to be effected, the object alone being considered; in distributive justice, a proportional equality, which deems that the executive who administers the common good consider both the object (goods) and subject (persons) of the obligation [Cf. P, 219]. "Distributive justice does not allow the burden to fall unevenly" [I, 134]. Thus, B.W. Dempsey concludes, "distributive justice must be a primary consideration in determining economic policy insofar as that falls to public authority in the promotion of the common good . . . the studious pursuit of it will be no small aid in furthering the common prosperity" [I, 135].

While commutative (exchange) justice and distributive justice are "both essential and requisite," they are by themselves "insufficient" [P, 240]. At this juncture, B.W. Dempsey soberly reminds us of the "needless poverty of our [American] economic philosophy." "We are told," says B.W. Dempsey, "that we are confronted with a basic, fundamental, and inevitable choice that must be made -- either free markets or government regulation. Admittedly, so-called liberalism "placed its reliance on exchange justice alone; socialism "features

distributive justice exclusively." Clearly, B.W. Dempsey shows that he recognizes that "competition and state regulation are both useful principles of economic government. But he denies that the choice between free market or government regulation is a "basic, fundamental and inevitable choice." Both competition and state regulation are "useful" and "indispensable," but both together are inadequate. They are "secondary principles" only [F,239].

3. **Contributive Justice**

Besides exchange and distributive justice, there is contributive justice, which is "absolutely necessary." B.W. Dempsey develops this at length:

Besides commutative, exchange justice and distributive justice, both essential and requisite but insufficient, contributive justice is absolutely necessary. Distributive justice administered by the state attempts to regulate economic society from without. Exchange justice operates from within, but it concerns only the actions of individuals. Economic society, however, is a fact; it exists and is real, independently of civil society, though operating within civil society. Man is normally a member of many communities -- the family, the town, the province, the club, the church. To each of these communities he owes a debt of justice, called by Fr. Pesch, very aptly, contributive justice. These things no one denies. But in economic life we follow a very false and costly doctrine of opposition of interests. The worker recognizes the economic community in his union; the employer recognizes the same in his trades association. But both are blind to the community that exists in their industry as a whole -- a real community to which both parties taken singly owe a debt in social, contributive justice, and both parties taken together owe a debt to all other industries that receive their product and whose product they receive.
This is the fact of economic community which is not recognized . . . All the persons who work at any level in a given industry have something in common that is no less real, and perhaps more important, than the geographical proximity of political communities. Steel-town and motor-town and textile-town are communities as actual as Pittsburgh, Detroit, or Lowell. These communities are in need of order, just as truly as their political municipal counterparts. The principle of contributive social justice furnishes the basis for a genuine direction of economic life, for a town-meeting organization of the communities within the economy. Economic life is in need of direction just as political life is in need of government, not to hamper, repress, or regiment, but to create and maintain conditions within which constructive forces can operate [F,240].

All three justices (exchange, distributive, contributive) do work together to bring about a sound economic community. All human actions (including acts of exchange, contributive and distributive justice) [Cf. F,369] promote the common good. "Each individual is to contribute to the community those circumstances, conditions and opportunities that are necessary for his personal development (distributive justice), and through the process of exchange (exchange justice) those goods that are necessary to the same end" [F,220].

Quick to realize that the virtue of social justice has "the primary positive role in the restoration of social order," B.W. Dempsey, as usual, built his analysis on Church doctrine. Closely paralleling the encyclical, as always, he considered his function was to highlight, to elucidate, and when possible to develop, but never to depart from the Church's "official social writings." "The climax of the central action of the encyclical is reached in paragraph 88," said B.W. Dempsey, in referring to Quadragesimo Anno; and this section, which is on social justice, "may therefore be taken as the very core of the doctrine of the encyclical" [F,382]. B.W. Dempsey never tired of quoting and commenting on this salient passage. He was very quick
to appreciate the importance of this significant para-
graph, always giving it just emphasis. In another
place, he reiterated the "reason for the importance and
his emphasis" when he said that "the whole point of the
encyclical on the 'Restoration of the Social Order'
[his translation of the encyclical's title] was to make
the Christian world very acutely conscious of the vir-
tue of contributive (social) justice" [F,212]. Not only
did he accept the importance of social justice from
authoritative sources, but he himself had a deeper
realization than most of how "social justice rules the
whole of economic reality and fixes the responsibility
on all to see that our social institutions reflect
social reality" [F,237].

Not stopping at mere assertion and quotation, B.W.
Dempsey constantly hammered away at the need for social
justice. "Social justice," he says, "is the dynamic
virtue of economic society" [F,383]. Then he sets out
in three steps why this "dynamic virtue" is necessary
to bring about the "sanity and right order" to be found
"restored in industrial communities" [F,383]. In the
first instance, social justice can be considered "the
guardian of efficiency; it supposes that I have some-
ting to contribute." Secondly, social justice is the
"guardian of economic institutions within which ex-
change takes place and contributions are made." Third-
ly, elimination of conscious conflict is a "necessary
condition of a social order," but it will only be elim-
inated through social justice, the "antidote for class
conflict," because it is "the unifying principle of the
functional municipalities" [F,383]. Clearly, B.W. Demp-
sey recognized the virtue of social justice as the
"primary" principle, though he readily recognized that
"it was not the exclusive regulative principle of econ-
omic life" [F,217].

Scattered throughout his many writings are iso-
lated passages concerning social justice and its "rela-
tionship to the social order." While in no one place
does he give his complete thought on this virtue, his
thinking seems abundantly clear [Cf. F,222]. Distin-
guishing between two "kinds" of contributive justice,
he refers only briefly to legal justice: "the relation
of the member of an organized community which has es-
tablished reasonable ordinances for the common good."
In a single sentence and example, he dispatches legal
justice. "Legal justice," he says, "is the sort of
virtue that the citizen or member of any other community practices when he observes those ordinances which have been established for the common good, such as driving on the right side of the street, stopping for traffic lights, or disposing of garbage or other wastes in such a way as not to endanger the health of the community" [F,219]. Then he passes on to the all-important second "kind" of contributive justice -- social justice. Ordinarily, when he uses the term "contributive justice" in his writings, he means "social justice." When he does not, he explicitly nominates it each time as legal justice [Cf. F,165; 22; 319].

While legal justice may rule in a fully organized society, society is necessary for man "before it is so organized, when it is badly organized or administered, and when it is disorganized" [F,219]. B.W. Dempsey continues in the same vein, saying that "man has need of the community; the community, badly as man needs it, has nothing to contribute to the individual member except what had been contributed by himself and others like him" [F,219]. He sees a "kind of proportion between the contribution that the individual makes to the community and that the community makes to the individual, even though the community may seem to contribute to the individual more than the individual contributes to the community. B.W. Dempsey places his dependence on the following statement of Pius XI: "it is of the very essence of social justice to demand from each individual all that is necessary for the common good." Obviously struck by the vigor of this sentence, B.W. Dempsey calls attention to Pius XI's use of "essence," "demand," "each," and "all" in the space of this one brief sentence. Commenting further on the Pope's statement, he says that "each individual is to contribute to the community of which he is a member all that is necessary for the common good," and adds that each is to receive from the community "those circumstances, conditions, and opportunities that are necessary for his personal development" [F,220]. "Nevertheless," B.W. Dempsey concludes, "in a practical way, the support of the community is absolutely indispensable to the individual and the individuals as a group are obviously necessary to the community" [F,220].

Ever alert to official Church doctrine, B.W. Dempsey calls attention to the fact that social justice is referred to explicitly, or fairly explicitly, about
fifteen times in the encyclical *Quadragesimo Anno* [F,3-71]. But the fullest and most carefully worded statement, B.W. Dempsey matter-of-factly mentions, occurs "in the encyclical on 'Atheistic Communism'" [F,372]. As B.W. Dempsey quotes passage 51 from the encyclical *Atheistic Communism* fully, so shall we:

51. In reality, besides commutative justice, there is also social justice with its own set of obligations, from which neither employers nor workingmen can escape. Now it is of the very essence of social justice to demand from each individual all that is necessary for the common good. But just as in the living organism it is impossible to care for the social organism, and the good of society as a unit, unless each single part and each individual member -- that is to say each individual man in the dignity of his human personality -- is supplied with all that is necessary for the exercise of his social functions. If social justice be satisfied, the result will be an intense activity in economic life as a whole, pursued in tranquility and order. This activity will be proof of the health of the social body, just as the health of the human body is recognized in the undisturbed regularity and perfect efficiency of the whole organism.

The duty in social justice, therefore, falls upon me as a person; the right is possessed by every person who is a member of the same community that I belong to. This is true "precisely, because he is a member" [F,3-72]. "Whenever social institutions function badly," explains B.W. Dempsey, "so that the contribution of the individual to the community in his ordinary activities is not easy and practically certain, then the ever present obligation of contributive justice (that is, social justice) emerges and rests positively on an individual member of the community" [F,372].

B.W. Dempsey calls attention to the analytical incompleteness of contributive justice with its rights and duties. In several places in his writings, he puts himself to the task of remedying this "incompleteness." In the end, in reference to the right of social jus-
tice, he still must say, "we cannot as yet assign in perfect and full detail all four factors involved in any right -- the subject, title, matter and term. He develops this point as follows: "just who each claimant is and who each debtor is, and what is the extent of the right or duty; these matters are not yet accurately determined. The incomplete right is a reality that is not to be set aside by reason of its incompleteness, but which obliges man to complete it" [F,377].

B.W. Dempsey admits a difficulty that troubles him, while attempting to "fill out and complete rights and duties by specifying exactly what each one has a right to and which each one owes" [F,377]. The difficulty is that the obligation of social justice does not seem to fall upon the individual but upon the group. "The obligation," B.W. Dempsey puzzles, "seems to fall on a group, or at least will issue in futility unless the group acts so that each and any individual can disclaim the responsibility of 'doing anything about it' unless the group acts" [F,377]. In one of his last published articles, "The Range of Social Justice," he briefly touches on this problem. Yet we are forced to conclude with him that there is "need for sound work on the virtue of social justice." B.W. Dempsey then turned his own attention to other problems; he seemed to think it sufficient, as with so many problems, not to take upon himself the burden of solution, but to call the attention of others to the problem.

E. Economic Prudence

"The formulation of a sound theory of economic prudence," B.W. Dempsey states categorically, "is one of the acute problems of our generation" [F,318]. Prudence, of course, as the virtue of the practical man, has not changed. But the problems to which the virtue of prudence has to be applied have changed. The practical man, as always, must select the "best means to attain his end among the limited and circumscribed resources available here and now" [F,318]. Also, the practical man of prudence must still keep "a clear eye ahead to foresee the results of his action" [F,319]. But the problems of economic prudence no longer revolve merely around household problems. "To report today the same facts that Aquinas included in his original discussion," insists B.W. Dempsey in reference to today's
broadened scope of economic prudence, "we must add the firm and the industry to the household as an institution or association lying midway between the individual and the political state and subject to economic prudence."¹⁷

To assay the definition and work of economic prudence as depicted in the mind of B.W. Dempsey, it is necessary to step back a pace and look at the work of economics. B.W. Dempsey defines economics as "the allocation of scarce resources to selected ends" [F,9-11; 18]. It is fundamentally "a theory of choice among available practiced alternatives." The very act of prudence, according to St. Thomas, is "to choose through an act of the will or of free decision" [In Sent. I. q. I, a. 2, ad. 2 um.]. Thus the work of the man of prudence would be the "selection of the best means to execute a correct schedule of optima, practical, rational conduct in the concrete."¹⁸

B.W. Dempsey depends upon St. Thomas Aquinas to delineate economic prudence for him -- a concept so important to his own task in socio-economic life. We go to St. Thomas, as did B.W. Dempsey, for an understanding of the virtue of prudence. Upon St. Thomas's clear conception, B.W. Dempsey carried on his own socio-economic activities. His was a work of prudence, the application of "universal principles to particular conclusions about things to do."¹⁹ For him economic prudence meant striving for the "right plan of things to do"²⁰ in order to restore the economic community to soundness. He "considered those things which are remote insofar as they are directed toward helping or hindering those things which are to be done presently."²¹ In his own life, this virtue of economic prudence can be epitomized in his economic resourcefulness, for he


¹⁸Ibid., p. 22.

¹⁹S.T., II-II, q. 47, a. 6.

²⁰S.T., I-II, q. 57, a. 4.

²¹S.T., II-II, q. 47, a. 4.
was always "prompt and ready in thinking up ways of finding means" to implement socio-economic order. His was the habit which "manifested itself in the unlooked for situation, finding what was fitting"\textsuperscript{22} on every economic occasion. He stated this in one long sentence:

Prudence is the virtue of the provident Christian who is not only clear in his own mind about his ultimate end but who is also well-balanced in the selection of means to ends in the complex concrete affairs of daily practical life so that he makes sound practical judgments that lead to correct actions in his practical affairs and these successes minister to success of life as a whole.\textsuperscript{23}

B.W. Dempsey possessed this virtue of economic prudence in an eminent degree; he preached it as necessary for all men in economic life. Only if men possessed this habit of the "correct appraisal of things to be done" in the economic order, would functional committees again flourish as the order of the day. He considered his own function as being that of the prudent counselor. He considered himself an intellectual midwife at the birth of social economic institutions. "Prudent Counselors," says B.W. Dempsey in stating his own role, "may change the parties' states of mind; this may help them to make a new start and to achieve what they sought. But they (the parties involved) must achieve it. So it is also in the economic community" [F,318]. Always his emphasis was on self-determination and the necessity of organic growth of economic communities -- habits of economic prudence, justice, and charity of men themselves with the economic community.

The Schoolmen and their modern heir, B.W. Dempsey, would never have economics "become a geometry exercise." To them "it would always remain a series of case studies in which general, accepted convictions are applied to situations never far removed from particular markets." "In this sense," opines B.W. Dempsey, "the schoolmen were institutional economists." This he held

\textsuperscript{22}S.T., II-II, q. 49, a. 4.

\textsuperscript{23}Thought, ibid., p. 28.
as true because "they applied their analysis to the accepted ways of doing things and scrutinized human exchange agreements in the light of their historical origin and their meaning and content for the men who used them" [I,146]. Undoubtedly, the Schoolmen (and B.W. Dempsey also) were historians, traditionalists; past and present institutions were analyzed sympathetically, if critically. And as B.W. Dempsey significantly adds in his own words, "they did not make their subjects fit their presuppositions" [I,146].

Functional groups, therefore, are necessary for the restoration of a sound economic community. Certainly, economic prudence -- a virtue possessed by the men within the economic community -- is required to be present in the formation of these functional groups. B.W. Dempsey, in full possession of this good habit of economic prudence and acting as a prudent counselor, thereupon made his own most significant contributions of thought and influence in the analysis of particular problems of just price, interest and usury. These are, after all, the work of economic prudence.

CONCLUSION

B.W. Dempsey approached problems realistically. He blueprinted no ideal order, but examined instead the forces and facts present in every working economy. Only with this completed was he ready to undertake the task of the restoration of the economic community, and then always with "intelligent adherence to the enlightened teachings of the Church and constant awareness of the lesson that history can achieve, against the background of historic and existing economic communities."

The Guild system, an institutional structure sound in principle, has been wiped out, and no adequate method of economic control has replaced it. The result has been the complete disorganization of the economic order. This disorganization arose from five causes, revolutions in religion, commerce, industry, finance and politics. The dire result of these revolutions was not only to hasten the demise of the guilds, but to bring about the fact of class conflict, together with the violation of the principle of subsidiarity.

The elimination of class conflict is a necessary condition for sound social order. Without its removal, no improvement can be expected in the life of the econ-
omic community. The violation of the principle of subsidiarity has contributed greatly to socio-economic disorganization; recovery depends upon its observance. As a result, the state is overwhelmed with tasks for which it is not equipped. Violation of the principle has robbed men of that peculiar perfective activity, the acceptance of responsibility in his work-a-day relations and decisions.

The organic order of society consists of neither simply the elimination of class conflict, nor the many socio-economic "threshold" measures of this order. An organic internal principle of organization is needed to restore the economic community. A sound economic community cannot be blueprinted, but certain social principles to which it must conform can be stated, such as the naturalness of community or functional association. Society can be united according to what men do and contribute, namely their function.

The virtue of justice is the first principle of organization and self-regulation of economic communities. These "forms" of justice -- exchange, distributive, contributive -- are the very principles of the social order. Although exchange and distributive justice are essential and requisite, they are insufficient. Most important is the principle of contributive social justice which furnishes the very basis for a genuine direction of economic life. Social justice is the primary, though not the conclusive, regulative principle of economic life. All three justices must work together to bring about a sound economic community.

Unless the men daily participating in the economic community possess the virtue of economic prudence, a sound socio-economic order will not be achieved. This virtue manifests itself in society in the clearness of vision of men in the selection of means to ends in the complex concrete affairs of daily practical economic life, so that they make sound practical judgments that lead to correct actions in practical economic affairs. Only if men possess this habit of the correct appraisal of things to be done in the economic community will functional communities again flourish. Restoration of sound economic communities will require among the principles of organization the virtues of economic justice and economic prudence. To conclude in the words of B.W. Dempsey:
The need for sound work in the virtue of social justice, and its almost unheard of correlatives, social prudence, social temperance, and social fortitude, is so great that nothing in social research seems more urgent or more likely to speed the day when social justice, known and understood, will be an operative force in workaday decisions and transactions of American life [F,391].
Chapter Five

THE JUST PRICE

Whether or not within his framework of socio-economic thought B. W. Dempsey made an outstanding recognized contribution in the field of JUST PRICE.

I. THE SCHOLASTIC ANALYSIS OF EXCHANGE

A. Importance
B. Debt Owed
C. Scholastic Period

II. THE PROBLEM OF EQUIVALENCE IN EXCHANGE

A. Contract of Exchange
   1. Analysis of a Right
   2. Elements of a Right
   3. Exchange Contract
B. Necessity of Equivalence in Exchange

III. DETERMINATION OF EQUIVALENCES IN EXCHANGE

A. Terms of Economic Discourse
B. Economic Order
C. Exchange Arises
D. Act of Exchange
E. Just Price
   1. Common Evaluation
   2. Market Conditions
   3. Cost of Production
JUST PRICE

I. THE SCHOLASTIC ANALYSIS OF EXCHANGE

A. Importance

B.W. Dempsey, S.J. spent his entire academic life explaining, elucidating, and developing "scholastic economics." Any real contribution of B.W. Dempsey must be found in these endeavors. Scholastic analysis of exchange is the cornerstone of scholastic economics. The theory of exchange value has always been the vital common notion that clarified the very fundamental process of economics. "The problem of value must always hold the pivotal position, as the chief tool of analysis in any pure theory that works with rational schema." Competent economists both ancient and modern have consistently made exchange value (pure theory) central to their economic analysis. The Scholastic economists and B.W. Dempsey were no exception. Value and exchange theory clearly was their primary concern. B.W. Dempsey considered that "the nucleus of the economic study of the medieval moralist was the contract of exchange" [I,130]. Scholastic wage, profit, and interest doctrines are based and founded on their value treatments.

B.W. Dempsey explicitly touches upon the central position of exchange value or just price as follows:

From the doctrine on private property . . . and from the doctrine on the organic nature of society and its functional organization, the doctrine of just price follows as a ready corollary. If the face of the earth remains in a radical sense the patrimony of all men, and if, in their efforts to reduce the face of the earth to their service, men work co-operative-

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1Cf. list of B. W. Dempsey's writings -- Appendix.


ly like the highly interdependent organs of a body, then obviously the exchange of what is produced under these circumstances must be made [F,99].

Exchange is looked upon as the foundation of the related problems of money, just price and usury:

Exchange is the principal instrument by which goods privately owned still minister to the common good, as they must do if they are to fulfill their basic ordination. With exchange comes the introduction of money, with money, the question of price, and just price specifically. With the question of just price comes the question of the just price of money, that is, of usury [F,392].

As can be clearly seen, B.W. Dempsey not only considered price analysis the basis of any economic contribution but considered just price as the basis of his treatment of interest and usury, which has long been considered authoritative. Nor is there any doubt from the foregoing that B.W. Dempsey looked upon his own endeavors as an attempt to develop and explain the economic ideas of the Scholastics. Just price must be regarded as an integral part of the discourse.

B. Debt Owed

Gradually, it is being recognized that modern economics owes the Scholastic period a great debt. B.W. Dempsey early recognized, acknowledged, and wrote to bring others to the realization of this debt. Certainly, his efforts in this regard have not been in vain. Joseph Schumpeter in his monumental work, History of Economic Analysis, positively affirms that "modern economics stems from the Scholastic writers."¹ It seems fairly obvious that B.W. Dempsey influenced this above forthright and influential statement, as Schumpeter refers to him by name several times within this same chapter.

. . . Professor Dempsey's book (B.W. Dempsey, *Interest and Usury*, 1943 chs. VI-VIII) contains a full exposition of their economics: this book combines to a degree that is quite exceptional, thorough familiarity with scholastic thought and with economic theory, so that the interested reader may be referred to it with confidence.  

The academic respect of Joseph Schumpeter for his former student and protege shows itself in such characteristic statements as that "considerations of space, however, make it impossible to present a more satisfactory one [on usury than that] which the interested reader will find in Professor Dempsey's book." Just as Schumpeter states, concerning B.W. Dempsey's *Interest and Usury*, that "this book is an important contribution to the history of economic thought," so we must conclude that B.W. Dempsey made a unique contribution to a realization of the place of Scholastic thought in modern economic analysis. Whatever the reason for an earlier lack of this acknowledgment, the fact is that full acknowledgment was lacking and long overdue. Among the authors who have themselves done much to bring about a realization of modern economics' relation and debt to Scholastic writers has been Dr. Raymond de Roover. He indicates the systematic ignoring by professional economics of the Scholastic economic contribution:

The real foundation of price theory in general, and of monopoly in particular, should, however, not be sought among the Greeks and the Romans, but in the learned treatises, which the Doctors of the Scholastic school devoted to the important subject of social ethics. Unfortunately, these writings have been systematically ignored by professional economists. It is true that current textbooks

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on the history of economic thought mention the
price theories of Thomas Aquinas and the
monetary theories of Oresme, but from there
they jump to the mercantilists, entirely
overlooking Aquinas was the founder of a
school and that his doctrines were further
elaborated and refined by his followers.⁸

Since the above was written (1951) there has been much
advance in Scholastic appreciation. B.W. Dempsey was
foremost in remedying this lack of appreciation. The in­
fluence of his writings in bringing about a deeper
realization cannot but be deemed a great contribution.

To fully understand B.W. Dempsey's task and con­
tribution to the integration of Scholastic and modern
economics, it must be remembered that the Scholastic
doctors did not approach economic problems in the same
way as we do today. Their terminology, method, philos­
ophical and social background, their very problems, were
specifically different. A modern scholar, without being
steeped in this terminology method, historical, philos­
ophical and social background, may be easily lead astray.

Plain economic thoughts are frequently couched in
language unfamiliar to the modern reader. The omission of
a topic does not necessarily infer ignorance. To comment
on another's treatise -- as St. Thomas did, for example,
on Aristotle's Ethics -- does not necessarily mean that
one completely agrees -- or disagrees either -- with what
he says.

Therefore, to fully understand and have real insight
into Scholastic economic writings, it is not enough to
know someone's economic writings. One must also know
something about his purpose in writing, his philosophical
and institutional framework, and, of course, the social
environment of the period. In the course of Scholastic
economic writings, only the philosophical framework
remained substantially the same; the institutional
framework and social environment radically changed over
this long Scholastic period. In all this B.W. Dempsey was
most skilled. His own Scholastic background furnished the
basis for his own contributions.

⁸Raymond de Roover, "Monopoly Theory Prior to Adam
Smith," Quarterly Journal of Economics, LXV, November,
1951, p.493.
Scholastic economics enjoyed the unquestioned superiority of being an integral part of a coherent philosophical synthesis. Economics was not regarded as an independent but as a dependent discipline ruled by justice and grounded on exchange. The purpose of the Scholastics was to determine the rules of justice in order to govern social relations for the general welfare (common good) [I,113]. While economics was only incidental in the universal scheme of beings, it can be referred to as a discipline because it did embody a consistent doctrine of economic relations, but dependent on the laws of justice.

The Scholastics appreciated the economic place of that touchstone principle of scarcity. Without the economic problem of scarcity, they were fully aware that there would be no necessity for exchange -- goods could be had freely and in unlimited quantities. Still, they subordinated economics to their treatment of justice. Justice ought to preside over the exchange of scarce goods. Justice is their first consideration. But it cannot be forgotten -- and the disciplined minds of the Scholastics would be the first to realize -- that while economic order depends primarily on justice, this implies a thorough understanding and a proper use of economic analysis. For example, an analysis of just price requires both an analysis of justice and price.

... [A]Schoolman's economics always remained a by-product, however important, of his first concern, exchange justice. A joint product would perhaps be the better expression. They would have been little interested in economics that achieves autonomy at the expense of vitality; but they were willing to devote much thought and investigation to an economics that was practically co-extensive with the field of right and justice [I,145].

Admittedly, the Scholastics were primarily interested in setting up ethical norms or standards rather than in influencing public policy. To reiterate, the Scholastics were interested in determining the rules of

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8St. Thomas Aquinas, S. T., II-II, q. 77, a. 3, C; Commentary in Ethics, Bk. V, Lect. 9.
justice that ought to preside over the exchange and distribution of scarce goods. This, too, then became the preoccupation of B.W. Dempsey. If the purpose is to set up standards, they hardly can be considered "Idealists" in the sense of being impractical men. On the contrary, some were important men in practical affairs in their daily lives. They left the practical realization to others because practical realization was not their purpose in mind [I,124]. None of us can forget that all policy must be built on sound theory or principle.

C. Scholastic Period

The Scholastic period not only includes the Middle Ages [I,114] but the fifteenth and sixteenth centuries as well, and the period definitely continues well into the seventeenth century. Schoolmen had more in common than method and terminology; they had a common philosophical heritage -- a common way of looking at and explaining the universe. In moral and social life their preoccupation was with justice and the general welfare. Economics was always subordinate and incidental to this treatment. Thus, to consider Scholastic economics as medieval doctrine is simply an error [I,115]. This study at no time will use the word Medievalists in the sense of Schoolmen. The term would then be too limiting and, therefore, inaccurate. The Scholastic approach to economic problems was distinctive whether it be that of the middle ages or the sixteenth and seventeenth centuries. B.W. Dempsey in his writings fully recognized this fact:

Reputable economic historians will see no incongruity in citing thirteen and seventeen

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10 See Joseph A. Schumpeter, op.cit., pp. 107-115. He presents Scholastic framework that looks upon "society as a cosmos that is possessed of inherent logical consistency" to show the basis of Scholastic economics and the continuity of economic thought "that modern economics stems from the Scholastic writers" (p. 113).

11 See Raymond de Roover, Scholastic Economics: Survival and Lasting Influence from the Sixteenth Century to Adam Smith, pp. 187-188.
century writers together for a proposition, although the analytical context in which the later writer speaks may have substantially altered the significance of any language he shares with the earlier authority [I,149].

The basic principle in all Scholastic economic treatment is that, in any exchange transaction, justice demands an equivalence between the goods exchanged, and that certain determinable values must be determinable. In other words, Scholastics regard "price" and the factors behind it as the crux of the problem of obtaining justice in economic society. The "primary concern is to determine, under a given set of conditions, which exchanges were equitable and therefore permissible, and which were not" [I,130].

The Scholastics proceeded from reason rather than authority in the development of their thought. True, frequently they quoted St. Thomas, but the quotations presented his arguments, not merely his conclusions. In Scholastic economics, presenting a position because St. Thomas or Aristotle held it without giving the argument for the position was inadmissible. "Evidence on authority is, in principle, the weakest of arguments." What these Scholastics heartily endorsed -- an approach of reason rather than authority -- B.W. Dempsey faithfully followed [I,116].

While St. Thomas Aquinas [1226-1274] founded his school in the middle ages, his followers continued far beyond this medieval period until well into the seventeenth century. What St. Thomas and his numerous followers were primarily interested in, in those sections that touched upon economics, were the rules of justice governing social relations. Economics, as was said above, was given only an incidental place in his universal scheme of being. One would look in vain in St. Thomas, therefore, for a full treatment of economics. But he did lay down certain economic principles which remained for his successors to comment upon, interpret, develop and elaborate upon. Thus, to interpret St. Thomas without taking into account the common opinion of his own commentators would be faulty methodology. Yet this same

12"Yet they [Molina, Lessius, Lugo] steadily adhered to Thomas' opinion that evidence on authority is, in principle, the weakest of valid argument . . . . [I,116].
host of commentators (i.e. Saures, Molina, Soto, Lessius, de Lugo, B.W. Dempsey, etc.) use St. Thomas Aquinas always as their central core, thus making both comparison and synthesis much easier.

St. Thomas' economic analysis enjoyed the distinction of being an integral part of a coherent philosophical synthesis. His economics formed a consistent body of doctrine ruled by justice. St. Thomas' treatment of economic questions, however, is not brought together in one place, "but [is] scattered throughout the Summa Theologiae and his other works." Much of St. Thomas' treatment of economic questions is found in a commentary on Aristotle's Ethics. St. Thomas, here, not only was most painstaking in recording Aristotle's economic views accurately -- even procuring new translations for his purpose -- he also refined, developed or expanded these views whenever he deemed it necessary. B.W. Dempsey writes:

The discussion of fundamental economic ideas in the writings of St. Thomas Aquinas, however penetrating and acute, was at all times a by-product of some other activity. St. Thomas was not an economist, and at no time was he concerned with the analysis of economic problems for their own sake. Though he touches upon many economic topics and touches them with characteristic neatness and accuracy, he is always primarily interested in some other problem [F,164].

Analysis of economic topics can be found in many parts of St. Thomas Aquinas' works, also. Sometimes St. Thomas stops for a full treatment in connection with justice or some other virtue or vice, sometimes only in passing to round out his treatment. The general setting for the treatment of exchange value falls explicitly under justice in two places: in the Summa Theologiae, II-II, qq. 57-80, and in the Commentary on the Ethics of Aristotle [Cf. F,166].

B.W. Dempsey's analysis of exchange value is based chiefly on the *Summa Theologiae*, the foundation not only of his own treatment but of most, if not all, of the subsequent Scholastics. To found his analysis on was not to limit himself to it. The *Summa Theologiae*, as its title infers, is a summary, a compendium, and although complete, it still remains an epitome. Fuller treatment on some points will be found in the *Commentary on the Ethics*. Later Scholastics in their commentaries, that is, commentaries on the *Summa Theologiae*, will find occasion to elaborate and develop St. Thomas Aquinas' basic doctrine on exchange value [Cf. F,167]. In this stream of thought B.W. Dempsey immersed himself completely.

This section, therefore, is designedly concerned with the problem of value. Nothing in the economic writings of Aristotle and the Scholastic doctors was more fundamental than the dependence on the principle that, in an exchange transaction, justice demands an equivalence between the goods exchanged. The Scholastics regarded "price" as the crux of the problem of obtaining justice in the economic order. The study of usury, wages, profits, etc. is then but a corollary of the main problem of exchange.14 Scholastics overemphasized the usury problem -- an application of exchange -- and today's writers have given usury more than enough attention, not absolutely but relative to the problem of exchange.

A grave shortcoming of the medieval as well as the later Schoolman is their overemphasis of the usury question. The space devoted to it in scholastic treatises has given the mistaken impression that it was regarded as all important.15

14"Toward one point the analytical enquiries in this book converge. Behind the circular disputes about wages, profit, interest, and credit, the fundamental problem of economic justice must be attacked exactly where the historical studies indicate it to be, in the Just Price." See V. A. Demont, editor, *The Just Price* (London: Student Christian Movement Press, 1930), p. 149.

The Schoolman considered equity in distribution and exchange as the central problem in economics. The usury question was a side issue, but concern with it was allowed to crowd out nearly everything else.\(^{16}\)

Usury is a very important corollary of exchanges, but only one. B.W. Dempsey recognized both the importance of usury analysis and its subordination to exchange analysis.

II. THE PROBLEM OF EQUIVALENCE IN EXCHANGE

"The nucleus of the economic study of the medieval moralist was the contract of exchange. Exchange was taken in a somewhat wider sense than good usage would approve today, signifying in general any burdensome contract" [I,130]. The task that the Schoolmen and B.W. Dempsey, their modern counterpart, set themselves (and hence our task in this section) was "to determine under a given set of conditions, which exchanges were equitable and therefore permissible and which were not" [I,130]. The basic procedure involved not only a theory of law, of equity and justice, but also a theory of economic value. Contracts of exchange were not conceived as taking place in a vacuum but in a market, community or province [I,130]. Thus, our purpose and procedure has been clearly set out for us by B.W. Dempsey and the Scholastics. With an understanding of the contract of exchange and its relationship to law, equity and justice, we can proceed to the solution of the problem of the necessity and determination of equivalence in exchange. The endeavor of B.W. Dempsey was to add to Scholastic thought. Being perfectly sure that Scholastic doctrine in most instances accumulates rather than changes, any contribution of B.W. Dempsey was in the nature of an addition rather than a departure. We would look in vain for a complete treatment of some of these topics -- he will be perfectly content to rest on St. Thomas and Scholastic traditional doctrine [F,V]; at the same time, we would search in vain for any departure from this doctrine. He was perfectly in accord. His was a constant search and development of principles that could be

\(^{16}\text{Ibid.}, \ p. \ 167.\)
applied to a wide diversity of economic problems.

In this section, we shall deal with B.W. Dempsey, the social philosopher, as he tackles the problem of the necessity of equivalence in exchange: why is equivalence necessary in all just exchange? In the next section, we shall deal with B.W. Dempsey, the academic economist, as he tackles the problem of the determination of equivalence in exchange: How is the just price determined?

A. Contract of Exchange

It is important in understanding B.W. Dempsey's development of the problem of equivalence to begin where he begins, with the contract of exchange. His own treatment of contract of exchange as a right [I,130] is brief; he almost entirely falls back upon traditional philosophy. Referring back to St. Thomas and the Scholastic tradition with B.W. Dempsey, we are aware that as soon as a person is brought into contact with other persons (as happens in every natural human life), his external actions are coincided to relate him in a special moral manner to these other persons. All the problems of moral good and evil arising from a person's associations with other persons are problems within the field of justice or charity. This places us in the sphere of social mobility. The notion of social mobility immediately calls to mind that of social justice, and justice in turn evokes the notion of right [F,415]. Right (jus) demands what is just (justum), and to understand this contract of exchange and the ramifications, we must exercise the various forms of right.

B. Analysis of a Right

Justice (justitia = rightness) literally means rightness. Obviously, justice is derived from the Latin word jus (jus = right), which means right [Cf. F,164; 415]. But right is the name of a relation. A relation occurs when one being is connected (associated/related) with another being in some specific way. Relation is treated (by St. Thomas) as one of nine accidental categories of being. One primary relation is that of equality.17

17St. Thomas Aquinas, S. T., II-II, q. 57, a. 1, c.
To recapitulate, in reverse order (a'priori):

1) Relation  -  is among the 9 accidental categories of being
2) Equality  -  is one primary relation
3) Right     -  is the name of a relation
4) Rightness -  is another name for justice

1) Two persons may establish a relation (carry on an external operation/a deal/be associated/connected) with one another.

2) Now, in this deal (external operation/association/relation/connection) a certain equality between the goods or service to be transferred (exchanged = commutatio or permutatio) between two persons must be established (e.g. exchange the commodity of wine for an equal amount of the commodity of money).

3) When equality is observed in the transfer or exchange, the (buying-selling) contract is right (jus or justum). So the contract is objectively right when one good has been exchanged for another good of a certain equal value (equi-valence). "Justice in exchange is presumed when each party receives as much as he gives and gives as much as he receives" [I,138]. If the goods exchanged were not done so to bring about a certain equality, the situation (contract) needs to be righted [F,403].

4) Briefly, for the moment, justice is a habitual willing to do what is right in regard to contracts (exchanges) with another person or persons. Justice (moral rightness) is the habit enabling one person to give each and every other person his own right (jus) [Cf. F,164-165].

A right is a relation. Every relation such as right involves "four factors -- the subject, title, matter and term" [F,377].

1) Title -- the reason or foundation for the claim.

2) Subject -- the person (e.g. individual-person, society, corporation, government) who has the claim.
3) **Matter** -- what one has a claim to (e.g. income in the form of exchange value or price of services: in the form of wages, interest, rent, profits, etc.).

4) **Term** -- person bound to respect the claim. For instance, an employer is bound to respect an employee's right to wages. Money is exchanged for services "involving an exchange contract" [F,204].

1) Title -- work done entitles an equivalence
2) Subject -- a person (employee)
3) Matter -- to wages
4) Term -- from another person (employer)

C. Elements of a Right

1) **Subject (A)** -- a person (seller) who has a subjective right to equality of payment; has a debt ([debtum](#)) or duty to render full value in the exchange.

2) **Term (B)** -- another person (buyer) who has a subjective right that A fulfill his duty as a seller by an exchange of equivalence; has a duty ([debitum](#)) to pay for his purchase on the basis of objective equality -- give full (equal) value for the good of A in the exchange transactions. When A sells to B -- the exchange is objectively right when there is an objective equality -- namely, that goods exchanged are of equal value.

Thus, A and B have a **debt (duty)**:

A -- to fulfill as a seller by giving full value.
B -- to fulfill as a buyer by paying for his purchase on the basis of objective equality.

In this way, objective equality or right is maintained.\\(^{18}\)

In any transaction between two persons (the buyer-seller relationship) the question of the equality of the value of the goods exchanged arises. For example, if a seller values and lists a watch at $70.00, and the buyer

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\\(^{18}\)S.T., II-II, q. 57, a. l. c.
values the watch so that he is willing to pay this price, the transfer or exchange can be made in equality -- a bargain is concluded at this price (exchange value). "The result of the process," states B.W. Dempsey, "is an increase in total utility all round" [F, 54].

Where such equality is observed, the buying-selling contract is right. This objective denotation is the primary meaning of right. So the exchange or transaction is objectively right when one thing is equal to another thing. The moral claim to this objective rightness or equality on the part of one of the parties is called a subjective right.

3) Matter -- economic goods or services which have the capacity to satisfy a human want (e.g. money for a bus ride).

4) Subject-term -- the two "persons" must actually exchange goods (ad personam exteriorem) of equivalence, not just will it. (A exchanges his good for good of B). 19

Justice has to do with objective moral rightness -- an external quality must be established, involving at least two persons (e.g. A & B).

5) Subject-Matter -- (relation of a subject and matter; or term and matter): Right comes before justice; justice follows right. "If the act of justice is to give each man his due, then the act of justice is preceded by the act whereby some good became his due." 20

If a good is due to a man as his own, right to manage goods precedes justice. One does not have a responsibility to give another man his due unless he has a right to this due (good). Thus, justice does not give him the right to private management, but assumes and protects the right.

What, then, is the precise relationship between subject and matter? The subject must own in some sense the good; otherwise, he has not the right to exchange it

19 S.T., II-II, q. 58, a. 10.

for some other good -- he cannot pay his debts unless he owns goods with which to pay them.

I own the good; I am its owner; I have the right of ownership. Ownership is the exclusive right to manage (possess, enjoy, dispose) a good as one's own. More precisely, ownership is the relation that exists between the person and a good. A good is anything that satisfies a human want -- whether it be tangible as land or intangible as an idea -- between which and myself there is a unique relation. I can say it is proper to me, my property; I own it. Thus, I can claim (have a right) to others' obligation to respect it. Another person must give to me its equivalent if he wishes to possess (own) it. Since I own it, I have the right to exchange it for some other good, or to refrain from doing so. Not only do rights in general precede justice, but the right to ownership makes the act of justice possible. Consequently, St. Thomas, in his systematic treatment, takes up rights, a particular right of ownership, before the exchange contract and its justice. 21

Man has the right to manage (possess/own) income for the purpose of satisfying the basic needs and reasonable wants of his nature because of his need and natural endowment of intellect and will to make use of these goods. All men, therefore, have the right to possess or manage goods. Note that this right to manage is for the sake of use [F,179]. The right to use (consume) goods takes precedence over the right of their management (possession) [F,176]. Possession is for the sake of use, but use cannot be for the sake of possession. In other words, management is for consumption: to satisfy the needs and reasonable wants of all men. When other men are in need or want, no man may use or keep more than he needs. 22 "Any positive treatment of ownership," says B.W. Dempsey, "proceeds from the radical fact of the objective relationship between man's needs and capacities, and the capacities of the natural resources of the earth to satisfy those needs" [F,170].

6) Title: Foundation of the Right to Exchange. What is the foundation (title) for making this exchange?

21S.T., II-II, q. 66.

22S.T., II-II, q. 66, a. l. c.
The title will be the very reason or foundation for the exchange. In any exchange, the foundation is a certain equality (equal-value or equivalence) of the matter (goods) to be exchanged in the minds of the subject and term (persons) involved. This equality is adequate for establishing a relationship of right and therefore of justice.

D. Exchange Contract

A contract is an agreement, made between two or more persons, which creates an obligation [I,130]. This agreement is a manifestation of mutual assent by two or more persons to one another. This agreement affects their relations by means of a bargain concluded between them consisting of an exchange of mutual promises or an exchange of a promise of a performance (external operation).

In the ordinary contract of exchange, the act of consent (promissory agreement) is the initiating cause of the exchange. As a result of this consent, the contrasting parties do not stand to each other in the way they did before their agreement. They are related to each other in a new way. They are now united in their common purpose of exchange for mutual benefit.23

What makes an exchange what it is is not what is exchanged or the reason why the exchange is made; it is the agreement itself -- the consent between the two persons (subject and term) exchanging. The substance of the exchange is the agreement (promise) itself. Thus it must be in this promissory agreement that the ultimate reason why a contract obliges must be found. The promise between subject and term is an express agreement to carry out the exchange into effect; a declaration (bargain) which binds the persons who make it. It is the declaration of the bargain which gives to the person to whom it is made a right to expect or claim a particular (proper) good or service in exchange for his good so bargained

23A contract is often defined as "a mutual agreement generating an obligation in at least one of those agreeing." The Scholastic Lessius defines a contract as a "practical, external manifestation of one to another generating an obligation from the consent of the parties agreeing" [Cf. I,141].
(declared).
That which is due, or the justice involved in the exchange contract, pertains directly to the private (proper/particular) good of the individual contractors (bargainers) but it also concerns indirectly the common good (public good/common welfare) of all the members of the community. Hence, if the contract (exchange) is one of equivalence, both exchange and contributive justice enter. 24

E. Necessity of Equivalence in Exchange

Central to B.W. Dempsey's thought on just price is that equivalence in exchange is necessary for the common good. In numerous places in his writings he presents this relationship of equivalence to the common good as a fact:

Exchange -- arises from man's personal needs, but a personal need that is not distinct from his need for society [F,136].

or;

Commutative justice, though concerned with transactions between individuals, is not to be regarded or interpreted individualistically [F,401].

again;

As property and business are matters of public and social concern, so too, are contracts. Contracts are freely entered into, without compulsion, but they take place within the framework of society [F,98].

24"Si autem fraus deficit, tunc de emptione et veditione dupliciter loqui possimus. Uno modo, secondum se, et secundum hoc emptio et venditio videtur esse introducta pro communi utilitate utriusque: dum scilicet unus indiget re alterius et e converso . . . Quod autem pro communi utilitate est inductum, non debet esse magis in gravamen unus quam alterius. Et ideo debet secundum aequalitatem rei inter eos contractus institui." S.T., II-II, q. 15, l, corpus.
yet again:

The chief purpose of both civil and private contracts is the common good [F,98].

finally:

Exchange is the principal instrument by which goods privately owned still minister to the common good, as they must do if they are to fulfill their basic ordination [F,392].

Exchange relationships to the common good considered as a fact by B.W. Dempsey was no mere assertion on his part, but is central to his thought and ably buttressed with reasons. To fully appreciate its importance, place and significance, and the reasons for it, there must be a development of this thought.

B.W. Dempsey begins his own thought development by indicating that a man, "even before he is confronted with an actual decision, must recognize his relation to God and to his fellows." But recognition is not enough; voluntary cooperation must follow. A man should be "willing to cooperate in these self-subordinations that are the means of achieving coordination to the supreme unconditional end of all" [F,368]. "Any other conduct or frame of mind," he would consider irrational and not truly human.

Then follows a key principle and social motivation of his personal life. "Conversely, one who is not willing to 'put himself out' for others just has not in himself the makings of a man" [F,368]. "Men must in their seemingly most personal actions as private individuals act to promote the common good" [F,368]. Falling back upon Scholastic tradition, he recalls for us how the "genuine practice of any virtue promotes the common good." The reason for this is clear in his mind, since "the common good of any society is promoted when the society is composed of virtuous members" [F,369]. The "relation of the acts of individual persons to the common good is more obvious, more direct, and more important," B.W. Dempsey then argues, "in what concerns the virtue of justice" [F,369]. Now he is ready to turn to the exchange contract. "In these acts of justice that find expression in contracts, there is first the good which is common to the buyer and seller," and if this is not so, concludes
B. W. Dempsey, "the contract could not be entered into" [F,369].

"Buying and selling were instituted for the common good of both parties since each needs the product of the other and vice versa . . . but what was introduced for the common utility ought not to bear harder on one party than on the other and, therefore, the contract between them should rest upon an equality of thing to thing."25

Central to B.W. Dempsey's thought is the reliance he places on this quotation and, of course, his interpretation of this "key" passage. The important words are common good (common utility) which in two separate works, in almost identical words, he analyzes as having a "twofold meaning" [F,234; I,138].

1) For the mutual advantage of both parties.
2) For the advantage of the whole community.

The first is abundantly clear. Briefly, the mutual and reciprocal advantage of both parties would be preserved by "maintaining equality of values in the exchange." Secondly, exchange would be to the advantage of the whole community, "if goods of various useful values are exchanged in the community until their use values and exchange values balance all around." The "how" or determination of this balancing of use and exchange values will be treated more fully in the next section. What is important to note at this juncture is that B.W. Dempsey considered that this "balancing" is a means to achieve the common good.

His reasoning continues as he argues that exchange would not be to the fullest advantage of the community unless the "division of property and the division of labor" contribute to the common welfare or community [F,234; I,138]. They must do so because both have the "purpose of reducing the face of the earth to man's greater service. How "the division of labor and the division of resources serve the common good is by ensuring the "increased output made possible by increased

25St. Thomas, S.T., II-II, q. 77; quoted in F,369 above.
efficiency." B.W. Dempsey does not consider this even a "paradox" -- that an "institution" which serves any private individual advantage should have been introduced for the common good. "The double aspect of exchange," he says forcefully, "is the inevitable sequel of the double aspect of the division of goods and the division of labor" [I,137]. He further explains that from the "division of labor arise at once two radical consequences: first, the complete interdependence of those specializing; secondly, which is the more important for our purposes, "the necessity of some process [that] will assure that the resources so divided continue to minister to the common good." "To safeguard the latter," he thoughtfully adds, "is the function of just price" [F,402].

Immediately preceding his death, in a paper delivered at Harvard University and subsequently published in Thought magazine, he demonstrates a refinement and deepening of thought on this matter. In his later years he steeped himself in St. Thomas, drawing upon him extensively, so the following passage should come as no surprise:

In discussing the division of labor and the division of resources we pointed out that both served the common good by the increased output made possible by increased efficiency. This generated an increased interdependence which required that men cooperate in stable exchange. This is the most important instance of a basic principle. Material goods are not increased by being shared: the more there is for A, the less there is for B. Knowledge and love, the objects of the intellect and will, are increased and in no way diminished by being shared. The increased output in the two divisions is due fundamentally to the improved knowledge gained by specialization. The improved exchanges are due to social cooperation, an expression of that natural love man has for another and of that civil amity, or agreeable conduct said by St. Thomas to be

natural to man and due to others by a kind of debt of natural honesty." Increase in knowledge and love is the basis of all improvement in the common good, i.e., of all social and economic progress.27

Earlier, in a brief note literally inserted in Social Order (March, 1955) under the heading of a "Small Note on the Common Good," he had first expounded this vein of thought as indicated by the above quotation. The kernel of this "small note" and considerable contribution lies in the following two paragraphs quoted from B.W. Dempsey in their entirety:

The increase in productivity is a good which is common to all parties of the two divisions [of labor and resources]. The increased production is a good which is common to all. But the degree to which the goods are common depends also upon the degree to which love has been increased with knowledge. In the economic order, therefore, the common good is promoted when the institutions of the division of labor and the division of resources are so designed and administered as to increase knowledge and love.

Social justice obliges all to contribute to the efficient design and function of these institutions that knowledge and love may be increased.28

They are proper goods, eminently my own. But through exchange or sharing, they are pre-eminently capable of being common [F,390]. We can only conclude with B.W. Dempsey that, though exchange transactions be "between individuals, they are individuals who are members of a community, who are using goods that, though privately owned, are destined nevertheless to serve the whole community. These goods are reduced to the common service in part through the institution of exchange" [F,401-402].

27Ibid, p. 32.

28Social Order, Vol. 5 (March, 1955), p. 120.
B.W. Dempsey gives credit to the Scholastics for seeing that "when goods are exchanged, the value which they have in exchange is, like the right of property, private and personal, but not only or exclusively private and personal." Furthermore, he tells us that "justice and equity, virtues of social human beings, rule the acquisition and possession of goods of any subsequent trading of goods so acquired and possessed. This must always be borne in mind," concludes B.W. Dempsey, "if we are to grasp exchange as the Scholastics saw it, with any genuine insight into their meaning" [I,133].

B.W. Dempsey, of course, can hardly be said to have discovered the relationship between exchange and contributive (social) justice. In fact, he gives this credit to St. Thomas; namely, that injustice in exchange harms the common good, since injustice inhibits social cooperation in specialization and exchange; "without justice . . . there will be no exchange of goods" [F,400 ff.]. In these pages, we find B.W. Dempsey at his best as he clarifies and further substantiates St. Thomas' argument by arguing, "that an accurate price system . . . is a common good," and that exchange justice is necessary to such a price system [F,388]. His conclusion, therefore, is that in at least this sense, exchange justice is "one with" contributive justice. St. Thomas also argues, and is quoted by B.W. Dempsey [F,406], that the community suffers from unjust exchange since injustice in exchange would "destroy the crafts." B.W. Dempsey interprets this to mean that unjust exchange, by putting some members of the community out of business, deprives the community of their services and also deprives other segments of the economy of a market for their product. Perhaps the first reference to just exchange and its effect upon the common good appears in Aristotle's Ethics; B.W. Dempsey quotes St. Thomas' commentary on this pertinent passage in relation to the price of wages:

The crafts would be destroyed if he who produces some manufactured article would suffer, i.e. would not receive for that manufactured product just as much as he has produced. So the products of one worker must be measured
together with that of another to the end that exchange be just [F,403].

In commenting on this passage, B.W. Dempsey asserts that the crafts would be destroyed because "the worker who does not receive a fair return for his efforts would perforce cease to produce (he would be producing at a loss), and the community would be deprived of his service and product." Then, too, he who had apparently benefited by the exchange would, however, have lost buyers, "for the underpaid craft would be unable to buy his product, and his craft in turn would suffer" [F,403]. B.W. Dempsey implies that this above "simple statement" calls for "a whole theory of functional general equilibrium prices." Johannes Messner uses a similar argument to show a connection between injustices in private exchanges and the general welfare. A common argument, implied by B.W. Dempsey in his treatment on private property [F,164 ff.], is that exchange justice is necessary on the assumption that injustice in exchange, like slander, breaks down the very foundation of society: mutual trust in exchange, that is, "peace and good order."

In conclusion, the words of B.W. Dempsey given as part of a summary to a chapter in The Functional Economy can profitably be quoted:

Justice requires exchanges at just prices, because men are part of a community which is designed to serve the common good of all and in which the parts, insofar as they are human persons, are not subordinated one to another, but are functionally coordinated. If goods are not exchanged at just prices, however, he who does not receive the just value of his work or product is to that extent the slave of the other. Justice is not maintained nor the common good promoted.

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If just prices are frequently not paid, the economic order is completely disrupted and "the crafts would be destroyed." An economic imbalance is produced, which prevents one group of buyers of their product [F,405-406].

III. DETERMINATION OF EQUIVALENCE IN EXCHANGE

B.W. Dempsey, the economist, had a certain approach to economic problems that conditioned his treatment of economic value. He himself spoke of these principles and foundations that conditioned his thought on concrete economic problems as the "terms of economic discourse" [F,18].

A. The Terms of Economic Discourse [F,18 ff.]

"The object of economic analysis has well been defined as the study of the allocation of available resources among alternative uses." In this bold manner, B.W. Dempsey approaches economics and the tasks directly before him: equivalence in exchange. To study exchange it is necessary to do what B.W. Dempsey did in his own treatment, to place exchange in its proper setting of economic principles. To him economics is "a means of dealing economically with economic data that we may know which of desired optima are attainable." 31

Economic activity, like all human activity, is a means to the perfection of man. All members of society have wants and the corresponding right to fulfill these wants. Since all have the same nature and end, and since the resources of the earth are intended to serve the needs or wants of all men, the end of economic activity is the welfare of each and all members of the whole society. In various places and under different headings, B.W. Dempsey expresses this thought [F,18; 51; 95-97; 99, etc.]. A somewhat similar thought occurs expressed in these words, admittedly drawn from St. Thomas [C.G. 3:76], but applied to the economic sphere by B.W. Dempsey:

Under the design of Divine Providence non-rational beings on the face of the earth find their perfection in serving rational crea-

tures. Because they are rational, men participate in divine providence, not merely passively and necessarily, as by obeying the law of gravity, but actively and freely by an intelligent application of non-rational things to man's own use in achieving the personal perfection which is the design of Providence for man. The use of non-rational things in their subordination to human use is the first step in the exercise of human providence [Cf. F, 56-57].

Here he relates the human economy to the Divine Economy. Economics has been defined by B.W. Dempsey "as the allocation of scarce resources to selected ends." Fundamentally it follows that if there were sufficient resources to comfortably meet all human wants, there would be no economic problem, no economic activity, no need for exchange, no economics. Ample resources for all means no want for any. Without wants or "needs" exchange need never arise. B.W. Dempsey states this well:

Evidently there could be no economic problem if man had no material needs or, having needs, if the means of supplying them lay always at hand in inexhaustible supply, to be acquired without effort.

An economic problem arises only because man has many wants, limited resources to meet them, and because effort is required in order to make even these limited resources serve his needs. It is necessary, therefore, for men to economize, that is, to use their available resources, both personal and material, in the best possible way. This limitation requires decisions between the cost and return involved in all the possible things man can do in bringing the economic process to its term, namely, provision for wants, the satisfying of man's needs in the most efficient fashion [F, 20].

32Ibid., p. 22.
No society has ever had an economic system with sufficient resources to produce all the goods that would be needed to satisfy everyone. Wants have been and remain greater than the resources available for the satisfaction of these wants. "In its broadest aspect the prime economic problem of the individual and of society is that of utilizing comparatively scarce resources in such a way as to yield maximum satisfaction" [F, p. 26]. This principle of scarcity is the most basic and universal principle in economics. It is the motivating principle from which all economic activity arises. There would be no need for economics, and hence no need for the economic activity of exchange, if economic resources were not scarce.

Economics starts with the common observation that there is a basic inequality between men's wants and the material and cultural goods available for the satisfaction of these wants. Men are so constituted that they want a great many goods and services. Man has many needs, but his wants, outstripping his elemental needs, are capable of almost indefinite expansion. B.W. Dempsey, following the Scholastics, correctly diagnosed the economic problem as one of scarcity:

In their (Scholastics') opinion, economics was a branch of ethics which determined the rules of justice that ought to preside over the distribution and the exchange of scarce goods. It is obvious that there would be no need for distribution or exchange if goods could be obtained without effort in unlimited quantities.\(^{33}\)

The economic problem, therefore, is essentially a problem arising from the necessity of choice -- choice of the manner in which limited resources with alternative uses are disposed of in the market at a price. For this reason, economics is really a theory of choice because it explores the possible choices [F,26], the possible results of such choices (decisions) [F,29] and their relative desirability on economic grounds [F,34]; Cf. F,344]. It is, in Aristotelian terminology, the problem of the husbandry of resources [F,2; 393]. Those are the

\(^{33}\text{Ibid.}, p. 24.\)
acts which, more or less regularly, give rise to offers and demands for goods and services and to exchange transactions. St. Thomas's pure economics (oeconomia, household management) is based on and follows Aristotle's order of treatment. As Schumpeter states, \(^{34}\) St. Thomas found in Aristotle all he wished to say in his pure economics, refers to him and accepts his formulations. What is relevant for our purposes, namely, just price, the price that assures the equivalence of exchange justice, is based on Aristotle. B.W. Dempsey's development, therefore, follows Aristotle as much as St. Thomas Aquinas:

Aristotle based his economic analysis squarely upon wants and their satisfactions. Starting from the economy of self-sufficient households, he then introduced division of labor, barter [direct exchange], and as a means of overcoming the difficulties of direct barter, money [indirect exchange].

Goods, the counterpart of wants, are the means of want-satisfaction \([F,18]\). A good is anything an individual regards as capable of satisfying his want. An economic good is everything which possesses significance for individual choice. What is there about a good that gives it the power to satisfy wants? A good possesses the power of utility, the capacity of want satisfaction. "Goods and services that have capacity to satisfy human needs are said to possess utility" \([F,20]\). An individual with an unsatisfied need or want sees a good that he thinks is capable of satisfying the want which he has. Thus, utility expresses a (rational) relationship between a subject and object from the point of view of the problem of want-satisfaction. Utility is the rational relation between the goods (objects) and individual (subject). Utility represents in some way an individual's estimate -- a subjective and relative evaluation -- of the satisfaction which he derives or expects (anticipates) to derive from a good (for desire and satisfaction need not correspond).

\(^{34}\)Joseph Schumpeter, op. cit., p. 93.

\(^{35}\)Ibid., p. 60.
Utility ignores the inherent qualities of goods (though, admittedly, it is on them, on "goods as a foundation," that ability to satisfy wants depends). The utility or usefulness of a good, therefore, is not something intrinsic to it. Scholastics are abundantly clear on the point that individual estimates are personal and intensive, that "the capacity of goods to satisfy human wants does not depend upon their natures, but upon their usefulness for human needs" [F,397].

As St. Augustine says (De Civitate Dei, Bk. XI, ch. 16), the price of things does not depend on the dignity of their nature, since at times, a horse fetches a higher price than a slave, but it depends on their usefulness to man" [F,397].

Goods are not appraised according to the dignity of their natures, otherwise a mouse, which is an animal and sentient, would be of greater price than a pearl, which is inanimate. Prices are placed on things according to the degree that men need them for their use [F,397].

Yet, utility, being a relation, has a certain relation to its subject, the individual: his needs; and a certain relation to the object, the goods: capacity to satisfy wants. "Gold and silver are dear not only on account of utility of vessels which are made from these metals . . . but also on account of the dignity and purity of their substance."36

Following St. Thomas, B.W. Dempsey explicitly points out a number of ways in which a good may have enhanced utility. Utility may increase due to a change in place, by transporting and handling; due to a change of time, by storing; due to improvement, by working on a (raw) good; or by risk. For instance, a shoemaker who takes raw material and works on it, improves it, enhances the utility of the material, and is therefore entitled to put a higher value on his finished product.

For this (buy and sell later at a higher

36St. Thomas Aquinas, S.T., II-II, q. 77, a. 2.
price) can be done lawfully, either because he had improved the good in some manner, or because the price had changed with a change of place or time, or because of the risk he takes in transporting the good from one place to another or even in having it transported for him.\(^{37}\)

These listings of St. Thomas nearly correspond to modern categories of utility forms, such as *form*, *place*, *time*, *service* utility. The very purpose of production is to enhance the utility of goods. Goods as produced or enhanced can be exchanged. Utility of a good is a factor in exchange value because of labor, risk, change of time and place, etc.; the price can change (ceteris paribus) and, as we shall see logically follows, remain just. Thus, a price that varies may still be a just price.

A certain measure of grain may command a higher price than a pair of shoes because the grain satisfies a greater need. Obviously, the grain possessed a greater utility than the shoes. But the grain might not have commanded a higher price than the pair of shoes if the grain was plentiful and the shoes relatively scarce. A good commands a price not only because of its utility or usefulness but also because of its relative scarcity. Utility is the relation between the good and the need (want) of the individual and the quantity of good available, or, briefly, between wants and resources. Both factors -- utility and scarcity -- are necessary to determine a price. St. Thomas and the other Scholastics were well aware of this fact. B.W. Dempsey expresses this very neatly in one short paragraph:

> Production may be said to generate from utilities; distributive, time and place utilities and exchange, proprietary utilities, that is, the benefit that accrues to an owner from the possession and control of that bundle of utilities, which represents the maximum available for his present and future needs with his present income [F,52].

The last paragraph quoted from B.W. Dempsey is more than

\(^{37}\text{Ibid., S.T., II-II, 77, a. 4, ad. 2.}\)
a clear succinct statement of utility generation, but is also a statement of current treatment of the subject. In none of the leading present day authors is proprietary (ownership) utility so masterfully and clearly handled. Certainly, B.W. Dempsey at this juncture adds to the body of economic knowledge. Elsewhere he again alludes to proprietary utility:

Exchange is of a wholly different [from production and distribution] order. When improved real property is sold, an oil well or a dairy farm, there may be no change in form or location and yet an important economic fact has taken place. The function of exchange is most obvious in markets that are physically visible, such as the fruit and vegetable markets that still flourish in some centers in the early morning hours; similarly at fairs and auctions. Here commodities, literally, as the expression goes, "change hands." There is no change in form; there need be no change in location — specialists are exchanging their surpluses, which are to them directly quite useless, for money with which to buy, from others' surpluses, the things they need. An increase of total utility all around is the result of the process [F,54].

Individuals have unlimited wants in relation to the limited goods available. The relation of scarcity is an objective fact. There are not sufficient goods available to satisfy all wants. Individuals see usefulness or utility in these goods available. This relation of utility is something subjective considered by individuals as capable of providing satisfaction. While the individual may anticipate certain utility or satisfaction from a good, the satisfaction may not eventuate. Price determination requires an understanding of both the subjective and objective factors.

B. Economic Order

When different things are arranged so as to achieve some purpose, they can be said to be organized, or order has been put into them. The arrangements any community makes so that men are united while resources are divided
for the purpose of lessening that gap between wants and resources is the economic order or system of that community [F,366:67].

Order inevitably enters economic life. Production, distribution, exchange must be unified in order to achieve their purpose of provision for reasonable wants. As St. Thomas states, "several cannot be the cause of unity or concord except insofar as they are united,"38 and "it belongs to providence to order things to an end."39 Some economic order therefore is essential and always present. In this regard, B.W. Dempsey states:

Men enter economic activity to provide for their wants, exercising personal human providence. To achieve this end, men associate in their economic activity, chiefly through division of labor and division of resources. These activities then are subjected to government of some sort in order that provision for wants may be achieved. Government is the execution of providence, and providence is the design of order to an end. "In a provider two things may be regarded, the premeditation of the order and the institution of the premeditated order in the things which fail within the providence." This is what persons mean when they refer to the economic system of a nation [F,56-57].

An economic system has an entity of its own; just as the family or political order is something more than a sum of individuals, so too is economic order. Its perfection consists of conditions and advantages set up in such an optimum manner that the members can satisfy their needs for economic goods (proper goods) resulting in the utmost utility for each. Thus, the attainment of a maximum social income is but an indication that the economic system is achieving its due perfection or adequately obtaining its end or purpose. The utility generated by such a system is to be enjoyed by the individual who composes the system. Just as in Scholastic

38St. Thomas, contra. gent., 1:103:3.

political theory, according to the principle of subsidiarity, benefits and advantages accrue ultimately to the persons composing the political society. Optimum (efficient) allocation of resources is necessary for maximum social income. This optimum allocation with its resulting maximum social income and maximum utility to individuals comes only through a structure of exchanges, all of which are just — equivalence in the contractual agreements.

C. Exchange Arises

When some goods are present in such quantity that some wants can be satisfied to a very low degree of intensity, while other goods are so scarce that they diminish the intensity of wants very slightly, the individual will endeavor to exchange the abundance of the one good in order to diminish the scarcity of the other. Thus, social cooperation can take the form of actors performing different functions but with the proximate purpose "of exchanging the surpluses arising from the specialization" of functions [F,21]. Exchange arises when persons in close proximity possess surpluses of different commodities.

This surplus arises either because some wants have been satisfied to a very low degree or intensity, or because in order to create a "surplus," utility was added to already scarce goods through specialization. This productive activity created or enhanced the utility of goods, and so exchange, that subsequent production and specialization, arises [I,136].

As St. Thomas says so well, men specialize and exchange in order to fulfill their needs:

Exchange can take place between any commodities. But the first exchange arises in those goods that serve the necessities of human
life. One man had more of this and less of that and another more of that and less of this, as some may have wine and less bread and vice versa. Whence it is proper that they should exchange.

When a larger community, village or city has developed, some men may be in contact with everyone in the community and yet have no one with whom to exchange. Others, separated from the community, may be in need of many commodities. Thus among those resources that have been divided, exchange must develop so that one receives from another whatever that other had and in return furnished that which he had. This practice prevails even among certain barbarous nations who are without the use of money and who exchange no more than what serves life itself thus giving and receiving wine, grain and the like.

For the welfare of human society, many things are necessary: diverse offices are done better and more expeditiously by diverse persons than by men singly.  

D. The Act of Exchange

When two individuals meet for exchange, they must have goods to be exchanged, that is, have surplus goods to exchange for others [F,52]. The individuals for a commutation must see a different utility in some good -- their relation to any specific good must differ. In other words, each must possess a good which the other desires or sees as useful (possessing utility). The ratio of their utilities for the two goods is different for each. Both by the Scholastics and a modern economist, such as B.W. Dempsey, the term often used instead of ratio of exchange is value or exchange value.

40St. Thomas, Commentary on the Politics, Bk.I, Lesson 7.

41St. Thomas, S.T., II-II, 77, 1, resp. and ad. 3 m.
The act of exchange, because it provides a bridge for two individuals' subjective evaluations, brings about a certain qualification (or objectivity) of utilities. The subjective valuations which had been treated at least by Classical economists was referred to as value-in-use to distinguish it from exchange-value. For example, the value of a good (wine) is the amount of any other good (cheese) for which a unit of it is exchanged. The reduction of the physical world to man's utility, this "obtaining, increasing and maintaining the perfection of things governed," is achieved by a two-fold division. The first is the well-known division of labor, "so rightly extolled by all economists," says B.W. Dempsey, "for its promotion of efficiency." Relying upon St. Thomas as his common source, he quotes:

Though there is in man a natural inclination to gather together the necessities of life... it is not becoming that anybody whatever should be occupied in this task. Among the bees everybody is busy at some function, certain ones collect honey, certain ones build the homes of wax, but the king-bees are not busied in these tasks. So must it be among men; because many things are necessary for human life which one man alone cannot supply for himself, it is necessary that different things be done by different people, that some be farmers, some raise cattle, some build buildings and so of other things.

Parallel to this division of labor is the division of resources serving the same end of "obtaining, increasing and maintaining the perfection" of things for man's use. By this two-fold natural division "man effi-

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42Prudence, Providence and Economic Decision, p. 22.

43Ibid., p. 22.

44St. Thomas, contra. gent. 3:134.
ciently reduces the face of the earth to its proper providential place." From these divisions, indicates B.W. Dempsey, arises a "pervasive interdependence." The surpluses which are made possible by the efficiencies occasioned by this two-fold specialization require that men provide institutional arrangements for stable and equitable exchange. "From these stable and equitable exchanges arise communities, organic of economic interdependence" [F,319]. Broadening his scope, B.W. Dempsey parallels and more profoundly expresses the above thoughts, saying that "man draws from the earth its providential powers, and dumb things fulfill the designs of providence by serving rational men who efficiently use the non-rational as scarce means 45 to fulfill the ends of providence, Divine and human."

Although the term exchange value seems to be falling into disuse -- simply value today -- we shall retain it for our peculiar purposes of distinguishing it from subjective valuations (value-in-use), and from price. Then, too, it is more indicative of our central problem of explaining equivalence in Scholastic exchange.

In numerous places, B.W. Dempsey indicated that he followed modern price theory. An exchange consists for A and B of both a demand and supply; A demands Y and is willing to supply X; B demands X and is willing to supply Y. Without at this time embarking on the monetary aspect, the transaction can be described as a simple purchase and sale. A's demand for Y is his willingness to purchase a certain quantity of Y at a certain ratio (value) in exchange for supply X. B's supply of Y is his willingness to sell a certain quantity of Y at a certain ratio (value) in exchange demanding a certain quantity of X.

As soon as three goods are exchanged, the achievement of an equivalence becomes more difficult. But exchange is made possible by being made indirect.

45Because men are rational, subordinated to the same end by the same providence, men are coordinate to each other. Thus B. W. Dempsey would never consider using another man simply and solely as a means to an end (Cf. I-II, q. 100, a. 8, ad. 2 m). "It is always wrong for one man to use another merely as a means to an end" [F,367].
A does not want cheese for its own sake, but he may nevertheless exchange his wine for cheese, since he knows that he can exchange the cheese for bread which he really wants. In the example, cheese plays the role of a medium of exchange, that is, facilitates the exchange of wine and bread between A and C. It is acquired by A not for its own sake, but for the sake of what can be bought with it. No difference in theory arises when we enlarge the circle of exchange by including more people and more goods, by including goods of various disparate utilities (e.g. shoes and houses) [F,394].

The name of money is given to a good which habitually acts as the medium of exchange. As the circle of exchange grows (market widens), as more and more people with different scales of preference (different utilities for goods) more dependence is placed on money as a medium of exchange [F,395].

In spite of the immeasurability of utility, there is a certain "quantification" of subjective evaluations. Quantitative expression obtains when the need arises to decide upon the worthwhileness of exchange. For instance, A sees utility in his wine and in his neighbor's cheese too. He judges the relative merits -- the utility of the wine and cheese in his own mind -- "quantifies" his subjective evaluations, with the result that he is ready to enter into exchange transactions.

The difficulties of giving such quantitative expression to his scale of subjective valuations (preference/utilities) are vastly increased when they are problems any individual must, in reality, face. Such an individual has a complex structure of a large number of wants; he desires to achieve maximum satisfaction; and to obtain this total utility (maximum satisfaction) he will have to rearrange (substitute) his varied goods by means of exchange with a large number of different people. But if there is a generally accepted exchange medium -- money -- he will be able to express his willingness to exchange in terms of money. The same will hold true for all other individuals. They, too, will refer their exchangeable goods to the common monetary denominator, and the monetary evaluations of each can be compared with those of the other.
This is nothing new. B.W. Dempsey depended upon it in his analysis; he did not see the need to explain in detail. In any exchange act there is a transformation of subjective valuations into objective quantitative expression. This is made more easy, not different, when exchange is indirect, especially when it is habitually monetary exchange. When exchange does take place -- the ratios having been reconciled -- it will be an exchange of equi-valence, of exchange justice [F,395].

When actual exchange of goods takes place by the parties, the equivalence, in the opinion of B.W. Dempsey, benefits exchange justice, not distributive or a "datur tertium," sometimes called "economic justice." Nei­ther Aristotle nor St. Thomas had any difficulty in assigning the transaction to exchange justice whenever the two (or more) goods were comparable [F,400 fn.; 401]. Reciprocity7 (contrapassum) refers to the proportion (secundum proportionabilitatem) between the different values of the goods exchanged. Contrapassum or reciprocity, therefore, is a requirement of proportionality necessary for all justice. Just reciprocity is a proportional exchange of goods according to an equality of value.

All justice requires equality. Buying-selling requires a strict (arithmetic/proportional) equality. The difficulty stated in question form is: how can this equality in exchange be achieved with goods of unequal value? The classic presentation of this difficulty of trying to equate goods of unequal value is found in Aristotle's Nicomachaen Ethics and St. Thomas' Commentary on this passage.

To quote Aristotle:

Now proportionate return is secured by cross­ conjunction. Let A be a builder, B a shoe­ maker, C a house, D shoes.


47. . . "the idea of contrapassum (translated: "retaliation," but in most economic contexts probably better translated "reciprocity") [F,399].
The builder, then, must get from the shoemaker the latter's work, and must himself give him in return his own. If, first of all, there is proportionate equality of goods, and then reciprocal action takes place, the result we mention will be effected.

St. Thomas, in his commentary on the above-quoted passage, explains what is effected:

When the builder receives from the shoemaker the latter's product, shoes namely, he must in return give his own product. If, first of all, equality is arrived at according to proportion -- so that so many shoes on the one hand are set against one house than the shoemaker does in one pair of shoes -- then contrapassum is established so that there is reciprocity, as it is called, the builder receiving many shoes equal to one house and the shoemaker, one house . . .

Aristotle continues:

If not, the bargain is not equal, and does not hold; for there is nothing to prevent the work of one being better than that of the other; they must therefore be equated.48

Once they have been equated -- so many shoes have the value of one house -- simple exchange can take place.49

48 St. Thomas, Commentary on Ethics, Bk.V, Lesson 8.

49 Modern economists, such as B. W. Dempsey, would indicate that in exchange the tendency is to establish that ratio at which the relative marginal utilities are equal for the potential exchanges. In monetary exchange,
Money equates goods whose value can be made comparable. "Money, then, acting as a measure, makes goods commensurate and equates them; for neither would there have been association if there were not exchange, nor exchange if there were not equality, nor equality if there were not commensurability." Money is a commodity, can be employed in a simple exchange. What is just is what is simply equal in this kind of commutation.

... what was introduced for the common utility ought not to bear harder on one party than on the other, and therefore the contract between them should rest upon an equality of thing to thing. The quantity of a good which comes into human use is measured by the price given, for which purpose money was invented.

and Aristotle:

For it is not two doctors that associate for exchange, but a doctor and a farmer, or in general people who are different and unequal; but these must be equated. This is why all things that are exchanged must be somehow comparable. It is for this end that money had been introduced, and it becomes in a sense an intermediate.

Non-comparable goods cannot be exchanged in strict equivalence. If two or more "goods" are not in a true sense comparable, exchange justice which requires strict such a tendency will persist and be generalized. In indirect exchange, a uniform exchange ratio will be arrived at, under given conditions, expressed in money; it would in turn express the relative marginal utilities for all the buyers and sellers.


51 S.T., II-II, q. 61, 4. c; q. 78, 4. c. et ad. 2 m.

52 Ibid., q. 77. 1. c.

equivalence is impossible. Some other proportional equality brings about that which is due, "equates" the goods. Let Aristotle and St. Thomas express this thought:

... for in many cases reciprocity and rectificatory (exchange) justice are not in accord, e.g. (1) if an official has inflicted a wound, he should not be wounded in return, and if some one has wounded an official, he ought not to be wounded only, but punished in addition.\(^{54}\)

St. Thomas further elucidates:

... in exchange justice the equality of goods in principally considered. But in friendships based on utility the principal consideration is of utility, and so recompense ought to be according to the utility derived; however, in buying, according to the equality of the goods.\(^{55}\)

B.W. Dempsey was well aware of the above problem. The texts of Aristotle and St. Thomas quoted above he, too, reproduced but did not explain. There seems to be a certain puzzlement in his writing on these topics. For instance, the distinction between comparable and non-comparable goods as a help to the understanding of certain quotations, such as:

... for neither would there have been association if there were not exchange, nor exchange if there were not equality, nor equality if there were not commensurability.\(^{56}\)

On this note we rest the matter.

\(^{54}\)Ibid, B.V, Lesson 8.

\(^{55}\)S.T., II-II, q.77, 1, 3 m.

\(^{56}\)Arist., Bk. V., Lesson 8.
E. Just Price

"Goods endowed with utility for human needs and possessed in surplus by persons wishing to exchange are appraised in money at a price" [F,399]. So far in this dissertation, there has been a deliberate avoidance of the term price. This suited our purpose and would have suited B.W. Dempsey's for, as he would have characteristically remarked, "the treatment was not ready for it." The price of a good is the number of units of money which is given in exchange for one unit of the good [F,396]. Thus, the just exchange value of a good in terms of money is the just price. But this, in turn, involves the solution of a more fundamental problem, namely, how the value of a commodity is determined [I,138-139]. With a multiplicity of buyers and sellers who are in communication with one another, a uniform price will be established at which all exchanges, at any certain time, will take place. With the aid of money, disparate subjective valuations -- for example, between a house and a shoe -- can be reconciled [F,34-35]. Assuming that buyers-sellers are free to act as they choose, can contract (agree) with one another freely, that is, they are in contact (communication) with one another, there must be the physical possibility of exchange. There must be knowledge on the part of the buyers-sellers of the actions of others. Modern economists, such as B.W. Dempsey, would refer to the above as buyers and sellers in "perfectly competitive market conditions." Thus, it is in the market that industrial subjective evaluations are transformed into the objective prices.57

1. Common Evaluations: How are individual subjective evaluations transformed into the objective market price? How is the just price arrived at? This value in an exchange, which in commutative justice must be an

57Modern economists would point out that the market for any individual good performs the function of establishing equilibrium between all the subjective evaluations of that good. This equilibrium will be reached when the marginal utility of the good in relation to that of other goods is the same for all who possess it, and when it is higher for those who have the good than for those who have not.
equality, is the result not of a special valuation of the individual, but of the valuation of the whole community (secundum communem a estimationem). Thus, the just price is based neither on a value supposedly inherent in the object, "nor upon an individual's estimation, but is rather 'the expression of the estimate of the community on the value of a good offered in a market that is genuinely fair, open, and without fraud" [F,100].

The just price found in the market is to an individual buyer or seller an objective price independent of his own needs, wants, or utility he sees in the good. While there is a powerful subjective element in estimating the just price, the just price is independent of any subjective judgments. This seeming contradiction or paradox by which a price, depended upon and determined subjectively by all, becomes subjective and independent of each, needs further explanation. Many difficulties have arisen and surrounded Scholastic just price doctrine because of the confusion that this simple paradox engendered. B.W. Dempsey clears up this common confusion [I,149-151].

Common evaluation establishes the just price. The fact is incontrovertible that the just price discovered in the market place depends not upon individual evaluation, but upon common evaluation. For example, an individual may be in possession of an article of which he has no need, sees no utility, does not want (i.e. medicine), and yet be pleasantly surprised to discover that the article can justly command a price at the market. It may be his (personal) subjective valuation that the article is without utility, but not so the common estimate or evaluation. "The just price, however, is not determined to a precise point but consists in a certain estimate." The common estimate or evaluation is the resultant of a large number of subjective judgments of the utility "seen" in the good. This estimation, while considered to be subjective in origin, has an objective basis insofar as the subject evaluation in the last analysis must take into consideration the active physical qualities of the good to be bought or sold. Notwithstanding its subjectivity or origin, in practice the price or exchange value of the good is wholly objective for an individual. B.W. Dempsey was always perfectly clear on

58St. Thomas, S.T., II-II, q.77, 1.c.
this point. In numerous places he quoted St. Thomas, Lessius, Molina, and de Lugo, to show how Scholastic writers themselves effected reconciliation. He was in constant amazement that modern writers failed to reconcile these subjective and objective elements. "The inability to reconcile these apparently contradictory points of view, namely that there is a powerful subjective element in our evaluations, and yet that it is a just price which is independent of any subjective judgments," says B.W. Dempsey wonderingly, "seems to be the reason why modern writers of ability and authority are led to make statements concerning the Scholastics' price and value theory which are at variance with the truth to the point of being bizarre" [F,418]. In a clear analogy B.W. Dempsey shows the reconciliation:

... the resultant of a large number of personal judgments, the community estimate, though partly subjective in origin and partly objective, insofar as it is based on a consideration of the actual physical qualities of the object for sale, is for me in practice wholly objective. The matter is analogous to a political election: my vote may have gone to Mr. Douglas; the community estimate went for Mr. Lincoln; though my subjective choice could have been one of the factors determining the election, the ultimate outcome, Mr. Lincoln's presidency, is for me a wholly objective consideration. Similarly, my estimate of the worth of an object to me will be one of the factors determining the community's estimate which will determine the just price. Yet, that just price, resultant of many objective and subjective forces, once determined, is for me a wholly objective fact.

B.W. Dempsey, in conclusion, has this further comment to make:

Whatever may be the value of a community to an individual for his personal use, the values which are to be equated in exchange are those set up by common evaluation. This and not the special evaluation of
the individual, is the ruling one in exchange [I,138].

Clearly, the just price is to be determined by the common estimate of the buyers and sellers present in a market. In this way, the price will neither exceed nor fall short of the value of the goods and service. This is the just price. Nowhere, beyond in the above, does St. Thomas state precisely how the value of a good is to be ascertained. Certain factors are enumerated and referred to in his treatment -- utility, scarcity and abundance, cost of production -- that enter into the common estimate. What the precise relationship of those constituent elements in price formation are he does not deem to treat. Such treatment was left to modern Scholastics such as B.W. Dempsey.

2. Market Conditions: The Scholastics assumed that the market would be composed of a large number of buyers and sellers who could not exert any individual but only collective influence over price formation. The price is independent of individual buyer's or seller's action in the sense that each individual will regard the price as given and adjust his actions accordingly. This follows, notwithstanding the fact that the actions (subjective evaluations) of all buyers and sellers bring about a certain price (objective exchange value), from the assumptions that all the buyers and sellers are in communication with one another and that none of them controls a large proportion of the demand and supply [F,426].

This commonly derived price of the market does not cause hardship to the buyer. He need not buy, if the price is higher than the utility (his subjective appraisal); he may buy, even if the price (common objective appraisal) is lower than his personal appraisal. Nor does a price arrived at by common appraisal of all cause hardship to the seller, since he need not sell, if he judges the price too low; he may sell, if he judges the price higher than he considers the good is worth. The private knowledge of some individuals does not change the common opinion and valuation. This remains even if the

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59This section endeavors to collate and summarize material in F,396-406; F,420-430; I,130-140; F,148-160.
buyer or seller thinks the price imprudently low or high, or he has advance knowledge of a change in supply or price. This is common Scholastic knowledge. B.W. Dempsey collates and orders, but does not further this doctrine [I,149-151].

Since exchange is intended for the common utility of both the buyer and seller, as was seen in the last section, the just price should correspond (be equivalent) to the exchange value of the good, and not to the utility of the good for the buyer. The buyer will not buy unless his subjective valuation of the good (utility he considers to be in the good) is equal or greater, in turn, unless he values the useful commodity of money he receives in exchange for his good as high or higher than the market price [F,399]. The seller can take the price which he discovers in the market, even though he values the good at less. Since he is selling at a present and not a future price, he can assume that the market price is the just price, even though he knows that the advent of subsequent sellers will depress the price [I,229; F,393].

When there is no known price, the buyer and seller must arrive at a price by a sort of estimate. Some latitude is allowed for error in either direction. Still, the seller cannot ask more than he thinks the good is worth -- utility of the good -- allowing for a reasonable profit. At no time is the seller allowed to take advantage of the buyer. *Caveat Emptor* is a fallacious principle. Nor, for that matter, is the buyer permitted to take advantage of the seller. "The need of the buyer is not something that the seller has for sale and, therefore, he may not charge for it" [F,398].

We have already seen that a good could be sold at a higher price if its utility was enhanced. This could come about through greater labor effort to produce the good, through improvement of the article, or through considerable risks to transport it from place to place.

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60S.T., II-II, q.77, a.1.

61Ibid., q. 77, a. 3.

62Ibid., q. 77, a. 1. c.

63St. Th., II-II, q. 77, a. 4, ad. 2; a. 3 and 4.
Also, a good might sell for more if it became more scarce -- there are fewer rather than more sellers. In the present (short-run), the Scholastics assuming a certain good already supplied with a certain utility, the exchange-value (price) would be determined by utility and scarcity (demand and supply). In the hic et nunc (short run), the Scholastics, therefore, would maintain that price was determined by demand and supply in the market. An excess of demand over supply raises the price; an excess of supply over demand lowers it. The price which is determined by demand and supply is the just price.

This price closely corresponds to the market price of the Classical school. In Classical analysis, the price which is determined by demand and supply is the market price; while the cost-determined equilibrium price, to which there exists a long-run tendency, is the natural price. The market price is sometimes higher and sometimes lower than the natural price. Scholastic thinking, too, seems to approximate this market price of the short-run based on utility and scarcity, and the natural price of the long-run based on cost of production. But this is implicitly, not explicitly expressed by Scholastics.

The modern competitive price and the Classical natural price, in the opinion of B.W. Dempsey, are more-or-less the same as the just price of Scholastic analysis; the level to which the price of a good tends "in the long-run" in modern analysis is what the Classical economists simply call competition. But there are differences.

In the perfect competition of modern theory, usually perfect foresight, and hence no risk, is assumed. The Scholastics, being much closer to the practical order of the daily market, did not assume perfect foresight and hence risk was important as a determinant of exchange value (price). Also, because of the lack of perfect foresight and hence the presence of risk, the Scholastics more readily thought of the common estimate (just price) as more variable. Even if monopolistic elements could be excluded from the market, the Scholastics, because of this risk, would at times fall back on legal price fixing and the judgment of a good man to achieve a just price. Thus, while the Scholastic just price does approximate the modern competitive price, it should not be identified with such.

Nor should Scholastic just price and Classical market price (in the short-run) and natural price (in the
long-run) be looked upon as more than close approximations. There was a world of difference in their economic philosophy. The Scholastics did not expect an invisible hand or laissez faire policy to automatically achieve a competitively free market. Their economic philosophy called for cooperation of individuals to work for this common good of a free market according to the principle of subsidiarity. At times, to keep a market free from the unwanted influence of either the buyers or sellers, even legal price-fixing might be necessary. B.W. Dempsey clearly states this philosophical difference:

The chief difference between Scholastic just price and Classical natural price is that the liberals believed their deistic Providence constituted fair markets automatically through the magic of competition, no matter how hard man tried to make them unfair. The guildsmen believed that men were the sons of Adam as well as of God and that the accomplishment of the designs of Providence required the sedulous application of human reason as well as cooperation with divine grace [F,100].

3. Cost of Production:

The value of things exchanged and the price expressing this value are subject to all the circumstances of time, place and supply that modern economists recognize. The basis of value and its ultimate common denominator is utility, that is, human need; but, once there has been established the demand based on human need, the principal determinant of value will be outlay and expense, especially labor cost [F,405].

Justification for placing emphasis on cost of production is more understandable for the Scholastics than the Classical economists. Considering the fairly stable economy of the Scholastic period under conditions of legal and guild regulation in a relatively static econ-
omy, there is more justification for Scholastics emphasizing cost of production as a price determinant than for the Classicists. Still, at no time did the Scholastics teach that costs of production (e.g. labor costs) were the sole determinants of price [P,427-428]. Sometimes the Scholastics seemed to emphasize the necessity of knowing cost, neglecting somewhat for the moment demand considerations in the description of price determination. This only occurs when a long-run not a short-run situation is under consideration. This neglect of demand considerations in the description of the level to which price tends in the long run would be justified only in the event of constant costs for the industry. In an economy (e.g. Medieval economy) that is fairly static and the supply being fairly static, the costs would tend to be fairly constant.

By constant costs for the industry, modern economists refer to horizontal industry -- cost curves showing identical unit costs and identical supply price for all conceivable rates of output. Under constant cost conditions, a change in demand would change industry output, not price. But with sloping industry cost curves and thus sloping industry supply curves (e.g. modern economies) unit costs would depend on output. The cost at the margin would then depend on how much is produced, and this in turn on demand. The price is determined by the intersection of demand and supply, because in a competitive market the price is the device by which demand and supply become equated with each other. But only if the supply curve is horizontal (constant costs) does cost alone determine the price. If the supply curve is not horizontal, the relevant marginal industry cost and the price depend on where demand intersects with supply. They depend on demand as well as on supply.

While the Scholastics recognized costs as contributing to price formation, at no time did they exclude demand considerations. Emphasis on one or the other is not exclusion of either. Here we indicate emphasis, not an attempt to force the Scholastics into a mold or false dichotomy of contrasting price determination by demand and supply (in the short-run) with price determination by cost (in the long-run). Surely this is a false division. Behind supply there are cost considerations in the short-run as well as in the long-run, although cost functions differently in the short-run (some costs are fixed) than in the long-run (all costs are variable) [Cf.I,151-54].
Moreover, demand necessarily enters into the determination of exchange value (price) in both the short and the long run, unless consistent costs prevail industry-wide. Modern economic analysis holds that in both the short and long-run, demand and supply determines exchange value (price), and that the relationship between cost and supply and the role of demand will be different in the short run from what obtains in the long-run. The Scholastics made no clear explicit distinction between the short and long run; B.W. Dempsey did. However, they did recognize that costs were present under both "conditions." By their emphasis, they did realize that costs had a different relationship to demand and supply in the "long-run." There was no further explanation of this difference. Such a formal theory was not needed for their purposes of explaining the just price. Of course, there was awareness that something must be known about demand (or some equivalent of it) as well as about cost to identify price. But this part of the problem was not treated to our modern satisfaction, or to B.W. Dempsey's, in any phase of the Scholastic period:

We must be content to say of the late medieval moralist that his theory of economic value allows weight to all the principal objective and subjective factors of cost and utility and that price formation on the subjective-objective market analysis was well understood but had not yet been fully fused into a system [I,154].

It is beyond doubt that B.W. Dempsey recognized costs as an important factor in price formation. It is hard to see in his reference to certain Scholastics "how one can . . . appeal to the cost principle as an element in the estimation of the common price and still deny it some place in the theory of value" [I,153]. In his perusal of the Scholastics, B.W. Dempsey gives Lessius the most credit for "coming closest to an integrated statement" on cost:

One may charge a higher price by reason of labor and expense which one has undergone in getting, transporting, and storing goods; that is, if goods have not a price set for them. If they have, then the merchant can take account of extraordinary expenses in the setting of
the price at the time when it is first fixed, as we see in the case of goods brought through dangerous places where there is need of military escort against freebooters. But his is not to be understood of expenses incurred by reason of misfortune or imprudence. The case is different if goods already have their own price at which they are generally sold; then the merchant is bound to sell at that price or to keep the goods . . . But in arriving at a price of this kind account has already been taken of the expenses which are ordinarily and unusually incurred. But if the merchant's expenses have been greater, that is his hard luck, and the common price may not be increased for that reason, just as it need not be decreased even if he had no expense at all. This is the merchant's situation; just as he can make a profit if he has small expenses, so he can lose if his expenses are very large or extraordinary.

B.W. Dempsey considered that cost was not sufficiently integrated in the analysis of Scholastics (not that he himself joined them in this inadequacy). He deplored that an integrated price theory had not emerged from Scholastic economic thought. "If Molina had been a little less severe with Scotus," asserts B.W. Dempsey, "the latter's cost theory, plus the ideas on income of Alburtus Magnus with which Scotus was perfectly familiar, could have been made into a rounded system. Had these ideas been refined by employing the superior knowledge of the later writers on the actual price-forming factors in the market, a complete system of social equilibrium could have been developed" [I,154].
INTEREST AND USURY

I. THE PROBLEM OF INTEREST

A. Antecedents of Interest Analysis

Undoubtedly, B.W. Dempsey achieved his finest piece of scholarly work in his research and dissertation writing on interest and usury. With the leisure that he never again had purely for research and original scholarship, here he made his finest contribution to economic thought. Highest praise came from scholars in this most difficult economic field, concerning both his competence in modern interest theory and in medieval usury analysis. His scholarly competence lies not only

1) in his recognized analysis of modern -- Wicksell\(^1\) -- Fisher\(^2\) -- Schumpeter\(^3\) -- theories of interest;

2) in his painstaking research to accurately rediscover Scholastic doctrine;

3) in the comparison he then makes between the moderns and medievals, especially Lugo-Molina-Lessius;\(^4\)

4) but, finally, above all, in his own peculiar synthesis of interest analysis.

As is usual in his thought, his own interest doctrine is evident throughout his writings. In no one place does he formally present his own complete thought on this subject.

B.W. Dempsey's doctoral dissertation, titled *Interest and Usury*, was almost at once chosen for

\(^{1}\)Wicksell I, 7-40; also Mises, I, 48 ff.; Hayek, I, 50 ff.

\(^{2}\)Fisher, I, 74 ff.

\(^{3}\)Schumpeter, I, 63-74; also Keynes, I, 96 ff.

\(^{4}\)Lugo-Molina-Lessius, I, pp. 130-185 incl.
publication by the American Council of Public Affairs. Later it was translated into several languages. Recently, this same treatise which had become a standard work in the field has again been reprinted. Joseph Schumpeter, the distinguished writer of the introduction to Interest and Usury was unstinting in his praise:

He [B.W. Dempsey] worked out what really amounts to a treatise on modern interest theory before presenting his interpretation of that of the Schoolmen. This treatise, covering almost half of the pages of his book, has in fact a value of its own quite independent of the comparison that follows it [I, VIII].

Joseph Schumpeter remained steadfast in his opinion written before the Second World War, with the result of recently again recommending Interest and Usury as a book that "combines to a degree that is quite exceptional, thorough familiarity with Scholastic thought and with economic theory, so that the interested reader may be referred to it with confidence."5 Nor was he chary in his plaudits for B.W. Dempsey's "rich doctrinal development" and "satisfactory" treatment of Scholastic doctrine.6 Another well-known economist, Dr. Joseph Solterer, writing in the American Economic Review7, recognized "Father Dempsey as a scholar competent in the field of economics as well as Scholastic philosophy." Furthermore, he comments on his scholarly courage of entering "the twilight zone between ethics and economics by way of comparing interest theories of selected Scholastics with those of the eminent moderns in this field." Working from his lifetime premise that sound economic policy must be right and just, B.W. Dempsey toiled to reconcile these two approaches, one modern, one medieval. Pointing out that the purpose of the "medieval writer" was to scan the facts, "to see what, given such and such conditions, was right and just" in comparison with that of the "modern

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5Joseph Shumpeter, History of Economic Analysis, pp. 95-96.

6Ibid., p. 104.

7Vol. 34, 1944; p. 143.
writer" who looks at the facts "to see what will be sound policy," B.W. Dempsey was fully confident that there was no incompatibility between them. Not that he did not think this involved "a difference in emphasis that is quite important" [I,1]. Keenly aware but not deterred that the "Schoolman" late and early stressed his pre-occupation with justice and equity" in contrast to the "current academic decorum [which] frowns upon an urgent concern with what ought to be rather than what is." His own motivation for his thorough study of the "best" of the medieval and modern interest and usury theorists can be succinctly expressed in his own words, "that zeal for social reform must be based upon a good working knowledge of the system to be reformed if the zeal is to be effective" [F,49].

Ably he defends his "representative samples" of late medieval usury analysis -- Lugo-Molina-Lessius -- carefully chosen by him for his own exposition of medi­eval usury doctrine. While never denying the appropriateness of the above three as "representative" of medieval usury analysis, he himself was content in later writings to depend almost completely on St. Thomas Aquinas.

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8Interest and Usury, pp. 114-129.

8Cf. His analysis of St. Th. II-II, q.78 in The Functional Economy, pp. 408-411; the writing of articles entitled: "Property Rights" and "Money Price and Credit" [Vol. iii, Summa Theologiae, St. Thomas Aquinas (New York: Benzinger, 3 vols, 1948] afforded B. W. Dempsey an opportunity to make a more profound study of St. Thomas Aquinas. His "rediscovery" made him of the opinion that St. Thomas Aquinas furnished a "complete but compressed treatment of social principles" and that later scholastic authors added by way of application but little principle. A clue to his early preoccupation (before 1948) with later Scholastics rather than St. Thomas Aquinas, is indicated by his warning to users of the Summa Theologi­ae: "the treatment is, therefore, complete but com­pressed; radical principles, laid down with the greatest economy of expression, must be read with care lest the brevity lead us to believe that the subjects treated are not important." Furthermore, "it would be impossible, therefore, as well as idle, to attempt to follow St. Thomas' thought in the Summa without using those other
In modern interest theory, after ample analysis of the chief moderns,\textsuperscript{10} he fell back upon Wicksell-Fisher-Schumpeter, regarding "the writings of these three... as the foundation of a distinctively modern theory of interest and prices" [I,187]. As B.W. Dempsey himself expresses it, the "author of this study has sought in the case of each writer to indicate those principles which are at once most basic and most characteristic." Thoughtfully, he adds, "this prevents the presentation of a detailed theory."

Even a cursory reading and study of B.W. Dempsey's writings on interest and usury, makes it abundantly clear that he possesses in his own mind a comprehensive integrated interest doctrine. Following his own dictum as a directive that "order is unity in variety, not uniformity"\textsuperscript{11}, in no place does B.W. Dempsey spell out his complete and systematized thought on interest and usury. In this section, it is our task to orderly reproduce his thought in substance, though not in detail. In this way can be demonstrated not only the contribution of his peculiar synthesis of interest and usury doctrine, but that contribution of his in the form of a unique analysis and comparison that he made of medieval and modern analysis before development of his own recognized original contributions.

B. Foundations of Interest Analysis

B.W. Dempsey began his study of interest, as he seemingly did every major problem in economics, from "the central role of choice in the economic process." For him the prime economic problem of the individual and society is that of "utilizing comparatively scarce resources in such a way as to yield maximum satisfaction" [F,26]. Sketching the commonplace in his background for interest

\begin{flushright}
\textsuperscript{10}For example, B. W. Dempsey devotes one entire chapter [I,88 ff.] to John Maynard Keynes' interest theories.
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\textsuperscript{11}Social Order, Vol. 5, April, 1955, p. 159.
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treatment, he indicates that in facing this problem of choice, "man, more or less consciously, ranges his multiple wants into an order of importance. In so doing, he is guided on the side of cost by two correlative principles, the absolute or real cost involved, and the relative or opportunity cost" [F,27]. Thus, men who have practically unlimited needs are confronted with a limited quantity of resources, both human and material, with which to satisfy their needs. Man is, therefore, under the "necessity of arranging both his needs and resources on a scale of desirability in making the best combination that he can" [F,29].

Combining the theory of choice with the notion of capital, B.W. Dempsey is in a position to illustrate saving as a cost as an important foundation for the understanding of his interest analysis. "Capital," according to B.W. Dempsey, involves two things: "First, saving, at least in the sense of some curtailment of consumption or leisure, and secondly, the fabrication of tools or instruments into its more efficient form." He adds that, at least in the beginning of this process, "some expenditure of time" is involved [F,24-25].

Following Schumpeter in his classic Theory of Economic Development, B.W. Dempsey traces this out within the circular flow of incomes. Within this circular flow, choice is not, therefore, only between two courses of current consumption, that is, to spend more on clothes and less on food, but also between present and future consumption, that is, to spend less now in order to spend more then. The choice becomes whether to spend (consume) or not-spend (save). The very problem of saving (not-spending) is the making of the decision "as to how much of my income I will enjoy now, and how much of the enjoyment I will postpone" [F,29]. Evidently, a person or a community that consumed all of its resources, that is, saved nothing, would be a very poor community. Thus, the advantages of capital, that is, "saved-up and worked-on resources" [F,196], are so compellingly obvious that all, even the most primitive people, do some saving.

When income in the form of money is considered "the process, though obscured, is fundamentally the same." For a community to spend all its income on current consumption will not raise the standard of living, as "the resources of the community will be wholly devoted to the production of consumer goods which, because of the lack of capital equipment and the resulting low level of
efficiency and the big demand, will be high in price"
[F,30].

The economic status of the individual in organized
society today is largely determined by his command over
purchasing power, that is, over this income flow. Such
command is acquired by rendering services -- "labor
service or the ability to organize and direct business
activity" -- for which wages and salaries are the reward.
Those who own land may work it or lease it and thus
derive an income, a flow of purchasing power, from the
rental. Those who have accumulated wealth by saving or by
inheritance may either themselves employ it at a profit,
or may lend it out to others at interest for productive
purposes. Obviously, interest is a value phenomenon and
an element in price. Not only the services rendered by
labor, enterprise and land, but by capital, are primary
sources of purchasing power for their owners in the form
of wages, profits, rent and interest.

C. Interest Within the Circular Flow

Before considering the phenomenon of interest in
detail, it would be well to see how B.W. Dempsey, again
following Schumpeter, included interest's place in the
circular flow. Private property is now to be coupled with
the theory of choice, capital and saving as cost.

If entrepreneurs were in a position to com-
mandeer the producers' goods which they need
to carry their new plans into effect, there
would still be entrepreneur's profit but no
part of it would have to be paid out by them
as interest. Nor would there be any motive for
them to consider part of it as interest on the
capital they expend.\(^\text{12}\)

Interest must be paid because the entrepreneur
must call in the capitalist to help him remove
the obstacle which private property in means
of production, or the right to dispose freely

\(^{12}\text{Joseph Schumpeter, op.cit., p. 177.}\)
of one's services, puts in their way" [I,69].

If an entrepreneur has control over the "balances" through saving with which to acquire commodities and services, he may buy these commodities and services and if they prove productive gain a profit. But if an entrepreneur has no right over specific purchasing power due to it being in possession (the private property) of another or others, he removes this obstacle by becoming a borrower at a price. The price paid by the entrepreneur (borrower) for "a social permit to acquire commodities and services without having previously fulfilled the condition which in the institutional pattern of capitalism is normally set on the issue of such a social permit" is called interest [I,71]. Interest, therefore, is a payment for balances with which to acquire commodities and services, not for the commodities and services that may be bought with the balances. "Goods are bought and sold; money is lent and borrowed" [I,74]. These commodities and services themselves do not give interest, but give rent and wages. Understandably, now, is the following quotation from B.W. Dempsey in reference to the "missing capitalist."

In a communistic society interest does not exist, for the reason that the agent for which interest is paid simply would not exist in a communistic community. Though wages and rents as such would not be paid in a communistic economy, the services of land and labor would still be present; but not so with interest" [I,69].

B.W. Dempsey makes this Schumpeterian approach his own when he states positively that a cost-reducing innovation is "a source of true profits, and the profits are a source from which interest can be paid" [F,160]. Following Schumpeter, under the more severe conditions of the circular flow, "profits" go to the entrepreneur, with interest acting as a tax on those profits. In a socialist economy, the entrepreneurial state may achieve in a sense a "profit" if the commodities and services over which it

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13Joseph Schumpeter, op. cit., p. 181.
has control are productive. Since the state is already the "capitalist," there is no "tax on profits;" the capitalist agent is not separate but already the state, and so no separate agent exists who needs to be paid for the "right" or "title" or "social permit" to his property in the form on interest. Thus, there can be no interest in the socialist state. B.W. Dempsey does not follow Wicksell, who in his theoretical apparatus admits the possibility of the entrepreneurs holding interest gains in the form of goods. B.W. Dempsey follows Schumpeter, so that with the assistance of capital equipment, innovative acts of the entrepreneur result in "profits," with interest acting as a tax on those profits [cf., I,87 n.62], providing the entrepreneur (borrower) and capitalist agent (lender) are functionally separate. Economists realize that some price must be put on the use of capital goods in order to ration them, whether the initial price paid be referred to as "profits" or "interest." Entrepreneurs use capital goods and from them hope to gain a profit. If part of this profit must be paid to another who owns the capital equipment, B.W. Dempsey, following Schumpeter, designates this "tax on profits" as interest.

D. The Analysis of Interest

B.W. Dempsey examined the economic process (and in doing so made what is tantamount to an exposition of the economic process) in both its components and in the sequence of its operations. His treatment of the economic process in its operations -- production, distribution, exchange, consumption -- although traditional, in a short space contains a surprising number of keen insights that could be associated with a keen professional economist (one who has the habit of his science in an eminent degree); yet, as it is not germane to our present purposes, it is being mentioned only in passing.14

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14Cf. F, 51 ff. for fuller treatment of the operations of the economic process.
1. **In a static economy:** In its components, the economic process is conceived by B.W. Dempsey as unfolding in an isolated, contained or unchanging community "where private property prevails and a system of economic organization has been developed with a division of labor and free competition" [F,354]. In this economy everyone lives in each economic period (cycle) on goods produced in the preceding period.

B.W. Dempsey points out that "the market possibilities of the community are known by experience to all producers and annual production moves in a well-defined customary round" [I,63]. If this whole income-output-income of the community is assumed to occur annually and that with each "resuming round the fruit of the employment of permanent sources of productive powers seeks to reach the same consumer," a complete circular flow results. Having drawn this above treatment directly from Joseph Schumpeter, B.W. Dempsey succinctly completes the round through the following salient quotation: "the sellers of all commodities appear again as buyers in sufficient measure to acquire those goods which will maintain their consumption and their productive equipment in the next economic period at the level so far allowed and vice versa" [F,354-355; I,63].

In such an unchanging circular flow of economic activity, the economy of itself would evoke nothing new because, as experience shows, there would be "no impulse to spontaneous change on purely economic grounds" [I,64]. Reflecting upon such a static economy, B.W. Dempsey

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15 After critical appraisal [cf. I, 63 ff.] B. W. Dempsey's treatment as discovered in various of his writings follows very closely his former mentor, Joseph Schumpeter. To see the full extent of this dependence, consult Joseph A. Schumpeter, *Theory of Economic Development*. B. W. Dempsey perused the first German edition, 1911.

16 In F,354 it reads market "responsibilities," but from his treatment elsewhere this surely should read "possibilities" not "responsibilities."

further contended that "net profit (strictly so-called) cannot exist, for the reason that alternative opportunities of investment being non-existent, all relevant knowledge of the customary methods of production is available and common to all producers, and therefore, in general, no surplus above the value of producers' goods can be attained because all sources of surplus are exhausted in competitive pricing [F,355].

Nor can, of course, that "tax on profit" -- interest -- exist. Costs can be considered not only as opportunities foregone, but as the sum total of expenses. If costs are treated as the sum-total of expenses, then "total price for all genuine actual expenses (the personal services of the business man and the rents on property he owns included) must always equal the receipts obtained for the products" [F,355].

In an economy whose normal course flourishes year in and year out through familiar, well-worn channels, what grounds can there be for systematic undervaluation of means of production as compared with products? Competition on the one hand and imputation on the other must annihilate any surplus of receipts over outlays, any excess of the value of the product over the value of the services of the land and labor involved in it.18

Thus, the economy in this theoretically perfect form operates with no profit, not, that is, without results, but without any income or surplus not imputable and imputed to the primary factors of production.

At this juncture, we follow B.W. Dempsey in his paraphrasing of an important paragraph from Joseph Schumpeter's work.19 No given sum can possibly obtain a larger sum in an economy that "perfectly follows the circular flow long enough for the market to be adjusted to perfect equilibrium" [F,355,356]. No matter how any hundred monetary units worth of resources (including management) are employed within the commonly known and


19Ibid., p. 190.
customary possibilities, "you can obtain from them no receipts greater than exactly one hundred units."

You may apply any hundred monetary units to whichever of the existing possibilities of production you wish, but you will always receive for the resulting product no more -- possibly less, however -- than a hundred monetary units.

Continuing, B.W. Dempsey concludes that this is "precisely" the essential characteristic of the equilibrium position; it represents the "best" combination -- under the given conditions the widest sense -- of the productive forces.

In this static economy -- an economy without development of new products, organization, or sources of supply -- the services of the factors of production, such as land and labor, available with the hundred monetary units would yield a product not more than a hundred monetary units. This would hold true even when these services were applied to the most lucrative production in the economy. Now, B.W. Dempsey is ready to draw some important conclusions concerning interest in a static economy, "an economy without development."

B.W. Dempsey defines money capital as: "a sum of means of payment which is available at any moment for transfer to entrepreneurs to enable them to gain control over concrete goods" [I,66]. But from his definition he persuasively argues that in an economy without development there is no "capital" in the sense he uses here and then his all important conclusion: since there is no capital in a static economy, "there is no interest in the sense of a permanent income, constantly present in the economy, obtainable for the use of loan funds" [I,66].

Since there can be no loan in such an economy which will "positively and permanently enrich both borrower and lender," there can be no true interest in such an economy.

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The attempt to demand such a return is altogether impossible.

2. In a Dynamic Economy: Wishing to be perfectly clear, B.W. Dempsey categorically states that, while "the static economy knows no productive interest, this is not the same thing as denying the existence of interest in a modern economy" [F,359]. "Interest," he says, "is the child of development, and only with developments can it appear and endure." In an almost literary manner, B.W. Dempsey sweeps us along his path of argument. "Into the economic tranquility of the established circular flow enters the entrepreneur with his development" [I,66]. This entrepreneur, analytically regarded by B.W. Dempsey closely following Joseph Schumpeter, is a person of highly specialized function. He is the innovator, the spearhead of progress-- only this and nothing more. He is not, as entrepreneur, possessed of resources or money capital, but he possesses the big idea -- the new economic combination which will enable his enterprise, once launched, to break into the closed circular flow by offering more for less and still be able to show a margin of profit because of the cost-reducing superiority of the innovation" [I,66]. For this statement of the explanation of interest, B.W. Dempsey does not take credit for himself, but quotes with fullest approbation from "Schumpeter's brilliant essay, a truly entrepreneurial feat in economic analysis" [F,360].

For the prices of the means of production were not determined with regard to this employment, but only with regard to the previous uses. Here, then, the possession of a sum of money is the means of obtaining a bigger sum. On this account and to this extent, a present sum will be normally valued more highly than a future sum. Therefore, present sums of money -- so to speak as potentially bigger sums -- will have a value premium which will also lead to a price premium. And in this lies the explanation of interest.  

22Joseph Schumpeter, op. cit., p. 190 (italics in the original); F,358; I,66-67].
In close paraphrase, we follow B.W. Dempsey's analysis of under what circumstances "a surplus is ipso facto realized," and thus interest. The entrepreneur as entrepreneur has no means of initiating his new departure. Resources must be drawn from industry in general and, thus, to divert them, the entrepreneur in a modern economy must have resources to credit. If the following three conditions are fulfilled, states B.W. Dempsey, the new enterprise will show a place for itself in a new equilibrium position. The three conditions are [F,67]:

a) the price of the product must not fall in the face of the new supply, or at least not fall so far as to offset the net product gained per worked;

b) the costs of the new combination must be less than the cost of the resources dispensed with, or less than the total revenue after deduction for the possible drop in price;

c) the advance in price induced by the added demand for raw materials must not, with the passage of time, come to effect the margin left by the first and second conditions.

Interest, therefore, may become "a permanent net income flowing to a definite class or category of persons within the economy." Under dynamic conditions (conditions of development), the economist must find for true interest a source from which it flows -- some value exists from which it is a drawn; a basis on which it may be imputed to some type of contribution to production; and an assurance of its continued existence as a distinct source of income -- the cause of the endurance of the flow [Cf. I,68-69].

II. THE PROBLEM OF USURY

A. Money Barren in Itself

With exchange comes the introduction of money, with money, the question of price, and of just price specifically. With the question of just price comes the question of the just price of money, that is, of usury [F,392].
An exposition of B.W. Dempsey's views on value and money insofar as they are pertinent to a discussion of money must, of course, treat the question of the sterility or productivity of money. There is no question that B.W. Dempsey considered money in itself barren or sterile, nor does he base the sterility or unfruitfulness of money "on a dictum of Aristotle." "Though Aristotle is a respected authority," he says, "I find no reference to that dictum of his that money was a sterile thing" [I,107]. B.W. Dempsey's own studies of the writings of Wicksell-Fisher-Schumpeter, whom he "regarded as the foundation of a distinctly modern theory of interest and prices" [I,187], authoritatively told him that money in itself was a barren thing. Summing up his findings, B.W. Dempsey states unequivocally that "since 1890, when writers of as great authority as Knut Wicksell have, without blushing, again proclaimed the importance of the fact that money of itself is unequivocally barren, there is no need to explain or apologize for the alleged shortcomings of Aristotle and Aquinas" [F,407]. Yet his own ultimate argument for the barrenness of money was from reason and not "respected" authority. His own reasoning, falling under contracts, was succinct, brief and through illustration:

If I lend you a durable good, a tool, or a draft horse, the ownership can be distinguished from the user, and I can charge you for the use while retaining the ownership. In the case of goods that cease to exist with their first use, bread, for example, or wine, I cannot charge you for the use while retaining the ownership. I can sell you the wine, but if I lend it to you, I can ask for nothing more in return than the value of it. Money evidently belonged in this second category, being good for nothing but to be spent. Therefore, to charge a price for its use as distinct from its ownership was an obvious violation of justice [F,100].

There can be no question that money in itself was considered unfruitful, but the phrase "in itself" which B.W. Dempsey consistently italicized must be interpreted very strictly. A loan of money may confer obvious advantages, but "that advantage does not arise from the
money itself, except insofar as it is subject to the borrower's industry and the borrower's risks." For example, a person who has stolen an article which is non-productive in itself, for instance, money, "may still be entitled to any gain made by the possession, though bound to return the article, or its equivalent value." The reason, B.W. Dempsey indicates, is that "things of this sort are not productive in themselves but only insofar as they are subject to the industry of the business man." Continuing, "money thus subject to the business man's activity and diligence undergoes a change in value relative to money not so placed." Money, therefore, in itself, is not a productive good; but, "as far as this principle is concerned, the circumstances in which money can be considered by and in itself may be very rare or very frequent" [I,158].

B. Mutuum as Transfer of Ownership

In B.W. Dempsey's later works, he more and more showed a dependence upon St. Thomas. In St. Thomas' own Summary he found an adequate summary of his own views or doctrine on usury. Particularly, he was "pleased" to quote, analyze, sharply defend, and use as a summary of his own views, the "central doctrine" found in one article in the Summa Theologiae of St. Thomas.23 It having become an integral part of B.W. Dempsey's thinking on usury, we too shall quote the entire "corpus" of the article for subsequent reference and useful purposes:

To take usury for money lent is unjust in itself, because this is to sell what does not exist; and this evidently leads to inequality, which is contrary to justice. In order to make this evident, we must observe that there are certain things whose use consists in their consumption. Thus we consume wine when we use it for drink, and we consume wheat when we use it for food. Wherefore, in such like things the use of the thing must not be reckoned apart from the thing itself, and whoever is granted the use of the thing is granted the

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23St. Thomas, Summa Theologiae, II-II, q.78, art.1, ad corpus; F,407.
thing itself; and for this reason to lend things of this kind is to transfer the ownership. Accordingly, if a man wanted to sell wine separately from the use of wine, he would be selling the same thing twice, or he would be selling what does not exist; he commits an injustice who lends wine or wheat and asks for double payment, viz., one, the return of the thing in equal measure, the other the price of the use which is called usury . . . Now money, according to the Philosopher, was invented chiefly for the purpose of exchange, and consequently, the proper and principal use of money is its consumption or alienation whereby it is sunk in exchange. Hence it is by its very nature unlawful to take payment for the use of money lent, which payment is known as usury.

A setting forth of usury analysis requires some knowledge of the theory of value and just price. In usury analysis our concern is with the contract of mutuum, the justice of which depends upon the equality between the thing given and the thing received. This is a value problem, and the value problem has been already discussed in treating the just price of goods. But as soon as we depart from a simple direct sale for cash, the difficulties are identical with those of the usury problem, for the anticipated or postponed payment is an implicit or virtual loan.

Usury is gain from a loan of mutuum.\(^{24}\) Mutuum is a contract concerning the loan of an object under such conditions that the title to the thing loaned passes to the borrower. Frequently, B.W. Dempsey emphasizes that in a loan of mutuum, the transfer of ownership is the "decisive," the "significant," the "crucial point," the "critical factor." The important characteristics of mutuum are two: 1) that the ownership of the thing loaned passes with the loan, and 2) that payment is made not by

\(^{24}\)Mutuum -- The delivery of an article (the qualities of which are fixed in number, weight, or measure) with the intent that it immediately became the property of the one recovering it with the obligation to restore an article of like kind and quality [I,141].
returning the identical article but one of the same kind [I,143]. Such a loan was called a mutuum, because what was mine (meum) became thine (tuum); that is, the ownership was transferred [F,435]. If the ownership was not transferred, the loan was called a commodatum and the owner expected the return of the original article. Thus, it differs in that the identical article is to be returned. B.W. Dempsey expresses this clearly by illustration:

Now, some loans must be of the first types (mutuum), as with wine and grain, and some loans must be of the second type (commodatum), as with this house on this lot, which has no perfect substitute. But many goods can be the object of either contract, depending on the intent of the parties. Even money can be lent on commodatum, and a charge be made for the service. A man possessed of a fine coin collection could lend it out for an exhibition and charge for its use and require the whole thing to be returned, but money that is lent to be spent must change owners, because, if it is used at all, only the most unusual accident would enable the borrower to return the original coins. Therefore, a loan of money is normally made in such wise as to involve a transfer of ownership, and if the money is the property of the borrower, then the lender can make no charge to the borrower for the use of what has become the borrower's property [F,408-409].

Many goods can be the subject of either a contract of mutuum or accommodatum. Except for such novelties as coin collections, money is an object of a loan of mutuum. Under modern industrial conditions with men grading and standardizing, many goods are identical, "constant in number, weight and measure." With such standardized goods, it is a matter of indifference whether the

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25Commodatum -- (loan of accommodation) -- the free grant of something regarding its use alone for a definite time [I,141].
identical object lent or another standard unit be returned.

Money seems to be the most highly standardized of all goods and, hence, the perfect example of the object of a loan of mutuum; for, to all practical purposes, money has value only in terms of being spent in the more or less immediate future. "Money is the one commodity the title to which most certainly is transferred on the occasion of a loan and, therefore, a loan of money has always been a contract of mutuum [F,436]. Again, "money is the object par excellence of a loan of mutuum, for with unimportant exceptions money cannot be loaned except on mutuum and it enjoys the highest fungibility (standardization)" [I,164].

B.W. Dempsey was always careful to note that the fundamental consideration in a loan of mutuum is not the fact that consumption goods are lent (for money cannot in any sense be called a consumption good), but the fact of the transfer of ownership. If an object is lent in such a way that the borrower becomes the owner of the object borrowed, then he cannot be charged for the use of something which is his. This transfer of ownership is obvious in the case of food and drink, and also in the case of money, "for the use of money is the spending of it."26 This is less obvious, but equally true, in the case of any standardized (fungible) good that can be lent in such a way that the owner is indifferent as to whether or not he received back the identical article lent, but is satisfied if he receives a perfect substitute. B.W. Dempsey expresses this concretely through example:

When the important qualities of things are fixed in number, weight, or measure, there is no purpose in insisting upon the identical object being returned, since such standardized objects readily work, one in place of another. This is obviously true of consumption goods, but not exclusively. Two schools, for example, might supplement each others' supply of folding chairs by making gratuitous loans as occasional need for each arose. If the folding chairs in both schools were of the same standard mold, there would be no purpose in exercising care to return the same chairs. The

26St. Th., II-II, q.117, art. 4, ad corpus.
loan would be of a standard fungible good but not of a consumptive good, and the loan would be a mutuum. And, during the loan, the lending school would own no chairs but would have claim on the borrowing school for the number of chairs of the same condition as were borrowed [I,143].

Unquestionably, therefore, the loan would be one of mutuum though the object of the loan would not be called a consumption good.

C. Role of Time in Mutuum

While usury is contrary to the natural law demanding equality in exchange, "it is usury only if it is received for the mere loan" [I,165]. A loan of money, considered in itself or as a "mere loan," is always a loan of mutuum and, therefore, gain from a loan of money is usury. Thus, the central axiom from which usury analysis sets forth is that in a loan of mutuum the object borrowed must be returned "to an equality" -- to an equality of values. Does the passage of time considered absolutely by itself alter the value of money (some modern experts imply such) and so allow for interest?. Does the passage of time remove money from being a "mere loan," considered in itself?. Certainly any circumstance which does alter the value of money to the lender or because of which he incurs a cost in the occasion of the loan may found a title to compensation; otherwise, the object borrowed would not be returned to an equality of value.

The element of time is essential in a loan of mutuum, B.W. Dempsey stresses, "otherwise a simple exchange would result" [I,143]. A mutuum must be for some period of time; otherwise it would be a meaningless exchange of money for money under conditions in which the exchange could serve no purpose. The passage of time, of itself, is not the basis for interest. There is, in general, no real continuous growth of value with the passing of time as a primary and independent phenomenon, quotes B.W. Dempsey from Joseph Schumpeter's Theory of
Economic Development [I,186]. Furthermore, opines B.W. Dempsey, this is a proposition of which the Scholastics (Molina-Lessius-Lugo) would "heartily approve." Certainly, B.W. Dempsey does:

That interest is a phenomenon arising among economic objects and subjects precisely insofar as they are durable, that time is our external expression and arbitrary measure of this durability, does not necessarily involve an alteration in such relations of those enduring objects and subjects such as to yield a net surplus over the values imputed directly to the factors. Time may or may not be the occasion of such a surplus; it is always a condition, but per se never a cause. The factors which operate in durable objects and alter their relative values must be examined in detail; they cannot be bunched under the noncommittal head of "time" [I,187].

Time, therefore, has no autonomous role independent of such forces as may require time in which to operate. B.W. Dempsey is at his best as he clearly delineates the role of time. "Forces which can produce a net value surplus," he sees, "must reside in durable agents or agents with enduring effects." But, given that fact, the presence or absence of a value surplus or interest depends upon the evaluation of those durable objects; "the mere fact of duration is not an explanation of interest in any sense." Turning to modern writers, B.W. Dempsey admits that they consider that "interest is a phenomenon concerning the duration of economic processes." He also points out that these modern writers have reservations concerning the inevitability of pure interest with the mere passage of time." B.W. Dempsey thinks this is a position which coincides with that of the Scholastics, "who held that there is no value surplus automatically generated in durable objects by their continued duration" [I,197]. The emergence of such a surplus is what requires explaining.

B.W. Dempsey made these points clear: 1) that usury is gain from a loan of mutuum; 2) that usury is unjust

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because it is the extortion of a payment without any equivalent value rendered; 3) that a loan of money in itself is always a loan of mutuum and, therefore, gain from a loan of money is usury; 4) that if there is a value surplus, time may or may not be the occasion of such a surplus; it is always a condition -- "condicio sine qua non," but per se never a cause.

D. Presence of Extrinsic Titles

Even from earliest times the fact has been recognized that a loan of money may involve circumstances that justify a payment over and above the amount lent, even though the loan when considered strictly in itself is a loan of mutuum. How can this be explained?

Whenever the risk was so great and so obvious, it was acknowledged that there existed a title to a return, a title extrinsic to the bare loan. Obviously extreme risk imposes a cost on the lender, for which he deserves compensation if the loan is to be made at all. Certainly it is just or reasonable that any circumstance which alters the value of money to the lender, or because of which he incurs a cost on the occasion of the loan, may found a title to compensation. "These titles were called 'extrinsic,'" declares B.W. Dempsey, "as being something apart from the money itself but yet involved in the loan transaction when viewed concretely as a whole." Not that they were extrinsic to the particular loan, "but since a loan may be made in which these titles are absent, they are extrinsic to the essential idea of a loan" [I,171].

Gain immediately arising as an obligation from a bare loan of mutuum may not be taken; if taken, it is usury. But other circumstances may exist, not essential to the loan, yet concretely identified with it, which may furnish a sound basis for a title to compensation. With approbation, B.W. Dempsey quotes from a clear, succinct passage of Lugo:

There are three chief titles which can cleanse a mutuum from the stain of usury: emergent loss, risk, and cessant gain; and these three can be comprehended under one, emergent loss. Risk and stoppage of gain are losses of a sort, which, however, are usually distinguished for the sake of clearness . . . Emergent loss, taken in a strict sense, is distin-
guished from cessant gain by the fact that emergent loss causes detriment to goods possessed; but cessant gain causes a loss of goods which you expect to possess but do not [I,171].

Emergent loss (damnum emergens) is a loan arising to the lender because of the loan; cessant gain (lucrum cessans) is a gain which the lender has been making which stops or does not materialize because of the loan. These two have this in common, as implied in the above quotation from Lugo, that they simply represent different forms of a cost imposed upon a lender. Relating this in the Wicksell-Fisher-Schumpeter manner to the circular flow, cost would be the comparative loss from the income stream caused by the substituting of one use of capital for another. In turn, the return in the form of interest would be comparative gain which accrues usually later, caused by this same substitution of one use of capital for another. The lender yields the values the money would have furnished him if he had not loaned it, namely: some direct cost to himself (business), and some opportunity for gain relinquished for lack of funds [Cf. I,172-174]. Of course, either of these is a cost.

Usury is a gain from a loan of mutuum. But there may exist an extrinsic title to compensation, that is, a title extrinsic to the loan transaction considered in itself. The title to the gain cannot be the loan of mutuum, but a different fact also true at the same time and occasion of the loan; then money does have an extrinsic value. Extrinsic value gives extrinsic title to compensation. "Coextensive with this fact of the existence of the circumstances that create extrinsic titles, the yielding up of money on a loan imposes a cost on the lender because he yields those other values along with the value of the money considered in itself" [F,438].

As should be recalled from the treatment of just price, a good must be sold at its common price unless special circumstances give it a greater value to the seller than it has in the common market. Though there is a common price of money, a particular lender may have use and need for the money, which will justify a charge for the loss which the loan imposes upon him. Cost to the

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28Lugo, 25 : 70.
lender in any form is the basic title of interest [Cf, I,176-178]; it is the special circumstance which gives it a greater value to the lender (seller). The extrinsic value of money depends upon the general existence of alternative investment opportunities, not on the availability of those opportunities to one individual. When these alternative investment opportunities involving a cost to the lender become common as to be almost universal, money itself, under these circumstances, now has an extrinsic value. If money, due to its alternative investment opportunities, does have extrinsic value, lending of it will impose a cost on the lender. If money loans in general do not impose costs on lenders, then money takes on no extrinsic value and, therefore, there being no extrinsic titles to interest on a money loan of mutuum, there is no interest. To demand a return on the loan itself without the presence of extrinsic titles is usurious.

Returning to the circular flow, in a static economy -- an economy without development -- money is, as a general thing, relatively sterile. In medieval days, with the prevalence of a handicraft (relatively static) economy, the possession of a fund of money usually could not be considered as "working capital." The loan of money, therefore, was a loan of mutuum without intrinsic conditions, and so was actually the loan of a sterile thing. In modern days, since it is a fact "that money may always be readily exchanged for productive goods" that causes it to be regarded as virtually productive. Hence, extrinsic titles are now present and, therefore, "interest may always be taken on a loan of money, for it is no longer, in canonical terminology, a mutuum, but a locatio,\(^{29}\) the hire of a useful thing" [F,101]. Certainly money in general in a modern (dynamic) economy will have intrinsic value, hence extrinsic titles. It remains for B.W. Dempsey to answer two questions: 1) How much money has this extrinsic value; 2) and who has the title to that value in a dynamic economy?. He adequately answers both questions as one in a single short paragraph:

\(^{29}\text{Locatio (hire or rent) -- a contract by which a person or object is granted at a price for its use or produce [I,141].\)
Although the existence of investment opportunity depends upon the relation of available resources to prevailing technological conditions, there will be no rate of interest, as a distinct economic share, unless there is saving; and it is clear that, if money has intrinsic value because of dynamic conditions in the economy, the funds that are available for lending are funds that have been saved. Therefore, the persons who have title to the return from this extrinsic value are those persons who have saved previously earned resources [F,429].

III. THE PROBLEM OF INSTITUTIONAL USURY

A modern problem in which B.W. Dempsey is credited with making an original contribution is that of the moral aspects of credit. His study of the Scholastics on interest and usury had given him a keen insight into the moral aspects of "institutional usury," as he deigned to call it. His unusual knowledge of the chief modern writers on interest who viewed such as a problem from economic policy placed him in an enviable position in treating the economic aspects. No one denies that B.W. Dempsey here has highlighted a problem and made a contribution; some do, however, disagree with the nature of his contribution of "solution." To fully understand his "solution" entails a study of the reasons behind his conclusions. Much of the criticism of his position arises from too little appreciation of how he arrived at his strong statement. Full censure, however, is not due these critics -- much of B.W. Dempsey's basic reasoning was left implicit or scattered profusely throughout his copious writings. Our task, therefore, is to explain the "morality of interest under conditions where money, involving no cost of production and therefore no emergent loss to the lender of first instance, can be called into being in quantities indefinitely great by the state and the banking system" [F,411].

Since bank credit was little developed in the Scholastic period, though by no means unknown, and paper money was scarcely used, little of the morality of this problem can be directly gleaned from them. This does not mean that their principles, which B.W. Dempsey made his own and were briefly expressed above, do not fully apply
to this relatively "modern" problem. Contemporarily, much entrepreneurial activity has of course been financed by created credit. Prescinding from the moral aspect for a moment, created credit, as B.W. Dempsey admits, makes life easier for the entrepreneur" and helps him "commandeer control over resources at a lower price in the first instance than would have been paid had savers received the actual rate of interest prevailing before the creation of the new credit" [F,360]. Obviously, he does not consider such "convenience" as a moral justification.

As we have adequately considered, money in itself is sterile, and a loan of money in itself, excluding any extrinsic title, is usurious. "Money is the one commodity the title to which most certainly is transferred on the occasion of a loan and, therefore, a loan of money has always been a contract of mutuum" [F,436]. "If money in general does have extrinsic value, lending of it will in general impose a cost on the lender; and, if loans in general do not impose costs on lenders, then money will have no intrinsic titles to interest on a loan of mutuum" [F,439]. Such a loan would be one of mutuum, a contract binding in commutative justice and thereby demanding restitution. Following Joseph Schumpeter,30 B.W. Dempsey defines credit as "essentially the creation of purchasing power for the purpose of transferring it to the entrepreneur, but not simply the transfer of existing purchasing power" [I,65; I,66]. "The essential function of credit," states B.W. Dempsey in another place, "is to implement a new demand without simultaneously creating a new supply of goods" [F,356-57].

A. Credit in the Circular Flow31

The economic process is really one indivisible whole. "Out of its great stream the classifying hand of the investigator artificially extracts economic facts." Yet there is no real understanding unless we see how these facts (e.g. credit) fit into the whole. For B.W. Dempsey, credit took on real meaning from its place and function in the circular flow of economic life. Needless to say, he was but following in the now familiar Wick-

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30 Joseph Schumpeter, op. cit., pp. 106 et seq.

31 Ibid., pp. 95-128.
sell-Fisher-Schumpeter (particularly the last) tradition. At this juncture, our study is not of the static economy -- being by definition without interest, it poses no problem. "The static economy knows no productive interest [F,359]. In an economy without development there is no "capital" in the sense here used, that is, "a sum of means of payment which is available at any moment for transfer to entrepreneurs to enable them to gain control over concrete goods [F,357]. And since there is no capital, there is no interest in the sense of a permanent income, constantly present in the economy, obtainable for the use of loan funds.

But if into this "serene and placid round of customary activities, development and credit enter," we have a problem. "The person or persons in a position to initiate this development into the established circular flow are under the necessity of diverting resources from their previous employments. In the theoretical construction, this is done exclusively (and in real life to no small degree) by means of credit." The essential function of credit, as we have seen, is to implement a new demand without simultaneously creating a new supply of goods. In B.W. Dempsey's theoretical case, an alternative application of the system's productive resources can be achieved only by a disturbance in the relative purchasing power of individuals. "For in the circular flow, there would be no idle stocks for the needs of the entrepreneur" [F,357].

The function of credit in the hands of entrepreneurs "to disrupt the prevailing optimum disposition for their new employment," but who themselves possess no claim in the goods moving in the circular flow. "Insofar as credit is created ad hoc for the entrepreneur and is not drawn for the results from past productive services," concludes B.W. Dempsey, "it represents neither money nor goods from the previous cycle of the circular flow" [F,357].

Credit is essentially the creation of purchasing power for the purpose of transferring it to the entrepreneur, but not simply the transfer of existing purchasing power. Even the fact that a credit creation may be "covered" by some property owned by the entrepre-

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32 Ibid., quoted from p. 96.
neur does not "alter the nature of the process, which consists in creating a new demand for, without simultaneously creating a new supply of goods [F,357].

B. Credit from Saving

Credit transactions fall into groups: 1) money which is lent that has previously been saved, 2) money lent that has not previously been saved. In the first group, namely, money which is lent that has previously been saved, a positive rate of interest may legitimately emerge, as a cost is incurred in the withdrawal of income from its destined use in order to substitute it in some other use where it may yield a surplus. "Such a positive rate of interest appears when and to the extent that there is emergent loss to the lender" [I,197]. Such loans of funds involve an antecedent sacrifice to the lender, that is, loans made from funds which have been income in the form of saving. Somebody has been given the means (credit) of purchasing goods at the same time diminishing the purchasing power of somebody else. Such a "sacrifice" or cost is the basis for extrinsic title and therefore interest. B.W. Dempsey clearly held that "if money has intrinsic value because of dynamic contributions in the economy, the funds that are available for lending are funds that have been saved" [F,439]. Therefore, persons who have saved previously earned resources, under dynamic conditions, have the title to the return from this extrinsic value.

Certainly, B.W. Dempsey would consider that a source of legitimate interest would exist in a dynamic economy, under such conditions that the demand and supply of savings are equal, all savings are invested, and there is no investment which does not correspond to subtraction from previous income, that is, to funds which previously have been cost and which therefore have found their place in the pricing system. In such cases, B.W. Dempsey would say that Fisher would refer to the rate of return over cost [I,187]; Wicksell to the rate of natural interest [I,220]; and the Scholastics to the average emergent loss in the community [I,189]. Certainly, B.W. Dempsey admits that these authors use terms that "express ideas with a great deal in common" [I,186, 206].
C. Credit Not from Savings

Credit transactions not based on saving involve, therefore, no antecedent sacrifice, since no income is withdrawn from its destined use in the circular flow in order to substitute it in some other use where it may yield a surplus. Since no cost emerges, no return or interest is due. This form of credit gives somebody the means of purchasing goods without at the same time diminishing the purchasing power of somebody else. Money not earned in production -- not saved -- has become available for expenditure on products. With approbation, B.W. Dempsey quotes the following from the eminent economic authority, Joseph Schumpeter:\(^\text{33}\)

The distinction between normal and abnormal credit is, however, important for us. Normal credit creates claims to the social dividend, which represent and may be thought of as certifying services rendered and previous delivery of existing goods. That kind of credit which is designated by traditional opinion as abnormal, also creates claims to the social product, which, however, in the absence of past productive services, could only be described as certificates of future services or of goods yet to be produced. Thus there is a fundamental difference between the two categories, in their nature as well as in their effects. Both serve the same purpose as means of payment and are externally indistinguishable. But the one embraces means of payment to which there is a corresponding contribution to the social product, the other means of payment to which so far nothing corresponds --- at least, no contribution to the social product even though this deficiency is often made up by other things [I,198].

B.W. Dempsey's outlook on such a process is simple and clear. In such a case of loans not based on savings, not only is there no antecedent emergent loss to the

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\(^{33}\)Joseph Schumpeter, op. cit., p. 101-102; cf. footnote on same page.
lender, but there can be none. B.W. Dempsey's position on this point was almost uncompromising, "unless," he states, "we are dealing with a case of public authority where impending calamity justified the invoking of the ultimate limits of social authority for the common good" [I,200-201]. Money loans on the "part of persons and institutions who have not saved, and, therefore, do not have the extrinsic moral titles to compensation, are loans of mutuum. "Whenever money is lent that has not been previously saved, there is a gain from a loan of mutuum for which no moral title exists [F,439]. B.W. Dempsey concludes his treatment with the following proposition:

Loans of funds which involve an antecedent sacrifice to the lender, other things being equal, produce a different price complex and disposition of resources from those which do not so impose a sacrifice; that is, loans made from funds which have been income affect the price complex differently from those which, not having been income, can involve no antecedent sacrifice [I,197-198].

B.W. Dempsey strongly defends the "utility" and the "clarity" with which his above proposition holds "a pivotal position in the theories of all." Summing up previous analysis in Interest and Usury, he recalls that "Wicksell, Mises and Hayek take strong positions for the elimination of the possibility of loans involving no antecedent sacrifice." "Schumpeter," he declared, "does not commit himself specifically but seems to feel that up to a point the good outweighs the evil" [I,199]. He continues in this vein with other noted authorities. But for our purpose of showing that in no way did B.W. Dempsey stand alone on the above proposition, the above citations should be ample.

D. Usury Element in Inflation

Today, money is lent and production goods are bought and sold. If the money lent involved no cost, was "created," not withdrawn from saving, a loan of mutuum results. Such a usurious loan is necessarily inflationary, too, since purchasing power increases without a corresponding supply of goods. This bank credit, or new
purchasing power, is "created" (not based on saving) and placed at the entrepreneur's disposal. Thus the entrepreneur takes his place in the circular flow beside the previous producers and his purchasing power its place beside the total previously existing.

Obviously, there has been no increase in the supply of goods existing in the economic system. Yet, with his new and the economic's increased purchasing power he can compete in the purchase of the existing supply of goods. Obviously, no goods and certainly no new goods correspond to the newly created purchasing power. What it really amounts to is a compressing of existing purchasing power. In the first place, the purchasing power of previous producers in the market will be compressed (they will be forced to save); secondly, the purchasing power in the market for consumption goods of those people who receive no adequate share in the increased money incomes resulting from the entrepreneur's demand (his purchase of goods/services) is compressed. B.W. Dempsey poignantly expresses the effects of this increased purchasing power entering the system without a corresponding increase in the supply of goods as follows:

This volume of deposit currency represents not so much a loan as a levy upon the holders of currency and deposits. They are the ones from whom the validity of the new fund is drawn through losses expressed in higher prices to be paid for goods when the new funds go to market, as they promptly do. But that is not all. Besides drawing too much of what the government needs from the poor as compared with the rich, finance by bank credits also causes a large transfer of real income from one set of people (mainly the receivers of fixed incomes) to another set of people [I, 221-222].

The injection of pseudo-income, reasons B.W. Dempsey, involving no cost and thus no emergent loss, being unmatched by goods, generates higher prices and a displacement of incomes which were based on earlier costs. Bank credit forces the necessary real capital out of the public. "The real saving which is necessary for the period of investment is in fact enforced -- at exactly the right moment -- on consumers as a whole, for a
smaller quantity than usual of consumption goods is available for the consumption of the second year" [I,200]. This is the notion and effect of forced saving, "a phenomenon which results from, and is measured by, changes in the quantity of money or bank credit" [I,201]. Bank credit without saving is a usurious loan of mutuum and has a necessarily and evil inflationary effect. Certain consumers pay the cost through higher prices, making the real saving necessary for entrepreneurial activity, without reaping the benefit. Illustrating by means of a government war loan bond, B.W. Dempsey relates in one long sentence how when a war loan bond is "sold and is paid for out of funds created ad hoc, we have a two-fold phenomenon: first, the acquisition of an asset (the claim embodied in the bond) without any corresponding deduction from income or capital -- in other words, without emergent loss or cessant gain by the new owner of the new bond; second, in the case of all persons who participate in wartime profits, we have a lucrum ex mutuo, arising from the fact that the lending operations cause a rise in the price of products of wartime industry" [I,222]. Thus, according to B.W. Dempsey, even a person who might otherwise claim an emergent loss cannot at the same time also benefit by the rise of prices -- in this case, caused by the expansion of government credit -- and on balance have any emergent loss. Remembering that the pricing process is a social matter, the emergent loss is to be judged "from the business as a whole." Falling back on the above example, through its effects, B.W. Dempsey's own "definition" of inflation becomes clear and apropos. "Inflation is the disturbance of the income distribution and consequent claims on current output by the transfer of wealth to the state to the amount of all treasury expenditure above tax receipts and above sales of treasury securities to savers who reduce their own expenditures by the same amount." If the power of decision is that of either the state or

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34Quoted from Wicksell, Interest and Prices, p. 156.

35Inflation as a Permanent Problem; a speech given several weeks prior to his death to the Twelfth Annual Conference for Correspondent Bankers (published in brochure form by the Marine National Exchange Bank of Milwaukee), p. 45.
a banking System, B.W. Dempsey did not absolve from usurious practice [F,440-441]. Only a small concession did he reluctantly allow to the state in this regard. "If a government merely printed paper money and passed it out, it would be clear that whatever value the government received as a result of the first transaction would be something to which it had no right, unless, in a violent emergency, this be regarded as commandeering in a very inequitable form of taxation" [F,440]. Cost does not disappear under inflation, but shifts, and unfortunately to the "poor" and the "receivers of fixed incomes." Inequitable shifting of purchasing power is wrong even though done by the state itself or a banking system -- "institutional injustice."

E. Injustice of Usury

In a static economy, as there would be no alternative opportunities open to the lender for investing savings, there is no possibility of interest. To take "interest" would be to violate exchange justice. Money in a developed (dynamic) economy has a common value and a common price -- a true rate of interest -- and a lender can be presumed to incur cost (and so gain a title) and so can justly (and so lawfully) charge interest. When cost is imposed upon a lender who has alternative opportunities, there is reason for interest to be paid. Modern economists are not primarily interested in whether interest should be paid but whether it can be paid; more interested in how economically it can be paid, than why interest must be paid. Thus, as B.W. Dempsey has so ably presented, in circumstances in which Fisher's Rate of Return over cost would be positive, Schumpeter's entrepreneur would have superior alternative uses for capital awaiting exploitation. Circumstances in which "the Schoolmen would say a gain from a loan would be usury, the Wicksell-Schumpeter train of thought sees as the source of a disequilibrium" [I,212]. But the problem of justice, not merely disequilibrium, arises if either the element of cost or alternative opportunities are not properly present.

Money loaned in the form of credit not based on saving and so involving no cost would, according to B.W. Dempsey, be a loan of mutuum; as such, it is usurious and a violation of commutative (exchange) justice.
His emphasis is on commutative justice, since a loan of *mutuum* is basically a usurious contract that falls under this justice. This does not infer that because "the Scholastic would frown at its very first step, namely, the gain from a loan of funds, that, not being income, could not involve emergent loss to the lender" [I,208], that either the Scholastic or B.W. Dempsey would limit it to or neglect the other justices. One justice violated; all simultaneously violated. As previously treated, B.W. Dempsey considered that a violation of exchange justice means a violation of social and distributive justice too:

The circumstances should be noted here that though we have limited the discussion to commutative justice and to considerations drawn from reason alone (since that was the most convenient way of dealing with usury), additional reasons and motives upon which the Scholastic might draw in order to persuade participation in the social process of pricing are not so limited. In addition to commutative justice [there are] . . . the virtues of social justice, personal charity and social charity, both natural and supernatural, liberality and munificence . . . [I,215, fn. 64].

Moving from "the principle which the Schoolmen applied primarily to persons" and applying them "to a process," the usury can then be "regarded as 'institutional'",[I,212]. Modern economies with banking, monetary and fiscal institutions facilitate this institutional usury by which the "benefits of saving are swept to those who have not saved" [F,163].

Institutional usury, then, in B.W. Dempsey's eyes, is "a process by which governments and the banking system introduce a usurious element into a loan contract payable in the expanding funds" [F,441]. From the viewpoint of justice, the peculiarity of the usury element in inflation is the fact that *mutuum* is a contract binding in commutative justice and so demanding restitution. The diffusion of the injustice under (e.g. wartime) inflation makes it very difficult to know who owes restitution to whom. But this difficulty does not deter B.W. Dempsey from condemning this process of institutional usury. "Savers who suffer under this procedure have suffered a loss from a *mutuum* loan process
for which loss they have a right to be compensated" [F,441]. Commenting at length, he explains the "procedure":

... and when investment is financed with funds that have never been income and which, therefore, could not possibly involve antecedent emergent loss or cessant gain, then there may well be *lucrum ex mutuo*, since someone is enabled to cut into the market and buy at current prices before the effect of the injection of this pseudo-income has had opportunity to operate. If the purchase of the investment goods proves to have been ill-advised, the actual borrower may not be the recipient of the gain he has occasioned. But somewhere in the economy, "windfall gains" will appear on someone's books; the economic *process* then has operated to produce a "gain from a loan" even though no person could be shown to have been guilty of usury. Again we have the effect of usury without the personal fault. The usury is institutional, systematic [I,207].

In the modern situation to which economists have applied the concepts of emergence of natural and money interest, divergences of saving and investment, divergences of income disposition from tenable patterns by involuntary displacements -- B.W. Dempsey regards all of them as having bolstered his discussion and giving "a sufficient common ground with late medieval analysis to warrant the expression 'institutional usury'"[I,228]. Then, too, he calls it to our attention that "institutional usury" seems to be what was in the mind of Leo XIII when he wrote, "this evil (the condition of workers) has been increased by rapacious usury which although more than once condemned by the Church is nevertheless *under a different form but with the same guilt* still practiced by avaricious and grasping men" [F,441].

The very effect of inflation would be a "disturbance of income distribution." Simply, B.W. Dempsey in numerous places implicitly and obliquely it is true, but in the

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36 *Rerum Novarum*, Leo XIII; emphasis added by B. W. Dempsey.
light of his treatment of justice, nevertheless clearly, expresses that the usury element in inflation violates distributive justice. B.W. Dempsey considers a government under wartime conditions when it "makes easy use of inflationary methods." He then points out that the "scale of the operations makes the usury element in inflation very great and very obscure." Brushing aside the excuse of obscurity, he points out that its presence is clear, nevertheless, "from the changes in income distribution always associated with the inflationary process even when price changes are delayed" [Cf. F,440-441]. As economist, B.W. Dempsey was keenly interested in finding evidence of this income displacement. He was ever alert for evidence to prove Ludwig von Mises' statement that "changes in the rate of saving . . . must result from the new income distribution, the new income, in turn, being the result of changes in the volume of money." 37

When B.W. Dempsey refers to "usury as institutional," or "systematic," or the need to "change the system" or "institutions," it is his way of referring to the work of social justice. 38 Granted that he spoke of the "primacy of commutative justice and its remorseless tenacity" [I,2120213], he at the same time and in regard to institutional usury considered social justice as an ever present obligation "to create conditions which . . . responsible persons can readily recognize and fulfil their obligations in commutative justice" [I,213].

He did have one concrete proposal to rectify the "system" or money "institutions," for making them socially right or just [cf. F,161]. His proposal was for a 100 per cent reserve plan, "a fixed money supply, or a supply altered only in accord with objective and calculable criteria;" he looked upon such a proposal as a "necessary condition to a meaningful just price of money" [I,210. He was confident, too, that "a Scholastic of the seventeenth century viewing the modern monetary problems


38Cf. The Functional Economy, 79; 38; 324 ff.
would readily favor a 100 per cent reserve plan" [I,210]. His own reasons for his advocacy of the "socially just" 100 per cent reserve plan are strongly expressed:

A system of 100 per cent reserve money, or even a system of commercial banks for short-term credit with 100 per cent reserve with a system of equity banks for longer investment (provided the equity banks were mutual and the benefits of created credit would accrue pro-rata to all savers), would eliminate the obvious inequities and most of the cyclical fluctuations from the present "capitalistic" system. Either, maintained for long enough, would correct the most undesirable features of present income distribution. The fruits of saving accruing to the actual savers would diffuse the ownership of investment goods and completely obscure the "class" distinctions by making interest an important item of income for large numbers of people [F,161].

CONCLUSION

Undoubtedly, B.W. Dempsey achieved his finest piece of scholarly work in his research and dissertation writing on interest and usury. In order to judge better this contribution to interest doctrine, it was found necessary to gather his interest writing into one cohesive body of thought; as usual, something B.W. Dempsey did not do. Through a study of his writings, it is evident that his was an analysis of modern interest theory; a painstaking research to accurately rediscover Scholastic doctrine; a much-needed comparison between the moderns and medievals; and lastly -- although never formally and completely in one place -- he achieved a synthesis of interest built upon the best of the Schoolmen and moderns.

39B. W. Dempsey drew his "proposal" for making the "financial institution" socially just from Irving Fisher and as so often from Joseph A. Schumpeter; of. Jos. A. Schumpeter, Theory of Economic Development, pp. 95 ff.
For the most part, B.W. Dempsey respectfully followed Scholastic tradition on usury; on a very few occasions, as noted, he departed from this path. Up to now, treatment of his usury analysis was for the most part reserved for an exposition and attempt to integrate his views. But this concluding section provides an opportunity to make further comments on key points, such as the nature of interest and the barrenness of money, on which either B.W. Dempsey "seems" to have departed from Scholastic tradition or others have explicitly named him as doing so; then, too, certain other theories at variance seem important enough to deserve more than mere mention.

F. The Nature of Interest

The problem with which Scholastic thinkers before B.W. Dempsey were concerned throughout the centuries was the question of the "permissibility" of interest, a question not primarily economic but ethical. It is clear, and our above-exposition was based on this premise, that the moral permissibility of interest can be determined only with reference to its economic nature. Even though attention was primarily directed to ethical permissibility, the problem demands the investigation of the economic nature of interest.

B.W. Dempsey's analysis of interest does not differ substantially from the majority of economic experts except on the nature of interest. Because of what he considers the very nature of interest, B.W. Dempsey denies that interest is possible in a socialistic economy. Since this is a divergence from the usual position, further discussion seems apropos.

B.W. Dempsey holds that if entrepreneurs were in a position to commandeer the producer's goods which they need to carry their new plans into effect, there would still be entrepreneurs' profits, but no part of their profit would have to be paid out by them as interest. Nor would there be any motive for them to consider part of it as interest on the "capital" they expend. On the contrary, the whole of what they make over and above costs would be "profits" to them and nothing else. It is only because other people have command of the necessary producers' goods "that entrepreneurs must call upon the capitalist to help him remove the obstacle which private property by means of production or the right to dispose
freely of one's personal services puts in their way." No such help is needed in producing within the circular flow, for a "going firm" can, and in principle is, currently financed by previous receipts which stream to them without the intervention of any district capitalistic agency. In a socialistic economy, the state as entrepreneur already has possession of the means of production (capital goods) needed for innovation. The capitalistic agent for which interest is paid simply would not exist in a socialistic economy. Hence, it could not be the subject of a valuation. And consequently, there could not be a net return corresponding to the interest form of income. The state in a socialistic economy has the disposal of production goods directly. The non-socialistic exchange economy must first of all procure them by hire or purchase -- and so interest.

B.W. Dempsey is not alone in his analysis of interest. He is in the excellent, select, and highly qualified company of Joseph Schumpeter and Heinrich Pesch. B.W. Dempsey identified himself with and made Joseph Schumpeter's interest analysis his own.

In a communistic or non-exchange society in general there would be no interest as an independent value phenomenon. Obviously no interest would be paid. Obviously there would still exist the value phenomena from which interest flows in an exchange economy. But as a special value phenomenon, even as a concept, interest would not exist there; it is dependent upon the organization of an exchange economy. 40

Joseph Schumpeter holds that interest must flow from entrepreneurial profit. If the entrepreneur already possesses the necessary productive goods, there exists no separate function nor (capitalistic) agent to whom the entrepreneur must pay for their use. If a separate capitalistic agent exists due to the phenomenon of private property, part of profit is swept to the capitalist, and then "interest acts as a tax upon profit." Oswald von Nell-Bruening in an article on Heinrich

Pesch's interest theory, which is referred to as the theory of economic service (performance), has these few significant words to say: "Pesch observed that our modern economy granting credit is synonymous with placing economic power at somebody's disposal." Quoting directly from Pesch:

This real possibility of making a profit was caused by the mere availability of greater monetary capital; and this availability is caused or brought about immediately by the lender's act of granting a loan. Thus the lender brings about the possibility of a greater money supply, according to the old principle: "causa causae est causa causati" (Lehrbuch, 5, 727).

"This act," concludes Oswald von Nell-Breuning, "of making available as an economic potency is an economic service and, as such, it is worth its price, just like any other service." If the lender and borrower are one (under socialistic conditions) no price need be paid.

G. Barrenness of Money

Another point that needs discussion is the "barrenness" of money in the modern economy which has so many widespread opportunities for probably profitable investment. Various positions other than B.W. Dempsey's have been taken on the "barrenness" of money. As we have seen, B.W. Dempsey remains with the older school of Scholastics who in following closely St. Thomas Aquinas, retaining formally intact the original Scholastic analysis of usury, justify interest in modern economic life only by the general application of extrinsic titles, particularly that of the lucrum cessans (emergent loss) or loss of profit from investment. Whenever cost to the saver is present, B.W. Dempsey would admit an extrinsic title, and hence interest. Succinctly, "emergent loss to the lender -- cost in any form -- is the basic title to interest. All other titles -- cessant gain, risk of capital (periculum

sortis), delay (mora) and so on -- are but special cases of cost to the lender" [F,410].

A modification of "older" Scholastic analysis with respect to the nature of money and capital seeks to establish a direct and intrinsic justification for modern interest by shifting the loan of money from the class of mutuum to that of commodatum or locatio. Today, every loan of money is a locatio because money has a general applicability to productive enterprise and, consequently, money capital has a quasi-productivity. This modern theory of justifying interest was favored by John A. Ryan in his Distributive Justice. But since "he did not definitely commit himself on the matter," it will perhaps be best to quote his own words. He states:

Today the majority of Catholic authorities on the subject prefer the title of virtual productivity as a justification. Money, they contend, has become virtually productive. It can readily be exchanged for income bearing -- bearing or productive property, such as land, houses, railroads, machinery, and distributive establishments. Hence it has become the economic equivalent of productive capital, and the interest which is received on it through a loan is quite as reasonable as the annual return to the owner of productive capital. Between this theory and the theory connected with lucrum cessans the only difference is that the former shifts the justification of interest from the circumstances and rights of the lender to the present nature of money itself. Not merely the fact that the individual will suffer if, instead of investing his money he loans it without interest, but the fact that money is generally and virtually

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42Locatio (lease) -- a contract by which a person or object is granted at a price for its use or product; mutuum and commodatum have been previously defined (cf., also I,141).

productive, is the important element in the newer theory. In practice, however, the two explanations or justifications come to substantially the same thing.\textsuperscript{44}

An analysis of the term "virtual productivity" of money merely seems to mean that under modern conditions a widespread possibility exists to apply the money to productive purposes. The fact that money may be considered productive in view of its power of representing real capital does not make it a productive good (and therefore the basis of a \textit{locatio}). We must recall the common doctrine that if the use of a thing involves its consumption (e.g. \textit{mutuum}), the thing itself is inseparable from its use; and its ownership is necessarily handed over to the borrower when its use is given to him. The borrower is bound to restore no more than its equivalent, for the thing and its use may not be separated and charged for separately. If the use of a thing does not involve its consumption, the thing and its use may be separated and charged for separately. If this occurs, the contract of \textit{commodatum}, which is itself gratuitous, becomes one of lease (\textit{locatio}) and rent (\textit{conductio}), with the borrower becoming the lessee and the lender the lessor. Thus, in \textit{locatio} and \textit{conductio} the things that in question are not immediately consumed in their proper use and can be returned identically. Because they are not consumed in use, they are not, in this case, actually "fungibles,"\textsuperscript{45} and may justly be leased, for


\textsuperscript{45}Potentially fungible goods are those highly substitutable or standardized objects which may be consumed in use, one unit of which may function for another; for example, money considered in general or money which in a particular transaction, is not going to be spent for a good.

Actually fungible goods are such goods that are actually consumed in use, that do not have other units serve for them; for example, money which, in a particular transaction, is going to be spent or has been spent for a good.
after a period of use they are still there to be restored identically to their owner.

In direct opposition, we have the clear statement of B.W. Dempsey who denies that money is productive and becomes in any sense a contract of commodatum or locatio. He states:

Money seems to be the most highly standardized of all goods and, hence, the perfect example of a loan of mutuum; for to all practical purposes, money has value only in terms of being spent in the more or less immediate future. Money is the one commodity the title to which most certainly is transferred on the occasion of a loan and, therefore, a loan of money has always been a contract of mutuum [F,476].

To B.W. Dempsey, money loaned was consumed in its use, since the identical dollar need not be returned and a transfer of ownership took place in the transaction. Thus, the loan of money was a contract of mutuum, not locatio.

In the above long quotation, John A. Ryan remarks that "the majority of Catholic authorities on the subject [of interest] prefer the title of virtual productivity as a justification." If this is true, it would place B.W. Dempsey in a minority, and some further "defence" of his position might seem necessary. But is virtual productivity the "majority opinion" on interest justification?. Certainly, the knowledgeable Lewis Watt does not concur. He states:

Among theologians, the distinction between loans for consumption and those for production has found no general acceptance, nor has the theory that money as such can be hired out for profit. Some would say that as an instrument of commerce money is, in a developed economy, "quasi-fruitful," so that a charge can be made merely for lending it; but there is at least a strong tendency against this theory, and instead, to justify the institution of interest on the ground that nowadays a loan of money (mutuum) raises a presumption of loss of probably profitable investment to the lender,
for which compensation in the shape of interest may rightly be demanded.\textsuperscript{46}

To sum up, interest, according to Pesch, is the equivalent for a special service able to be valued in monetary terms. This service is not due to a property of money, which in itself is "barren," but is bound up with the loan on the grounds of intrinsic circumstance.\textsuperscript{47} Again, Pesch contends "that the whole approach is incorrect" to say that a "loan for production is entitled to interest, but not a loan for consumption." "It is not the purpose of the loan that is the crucial question," he maintains, "but whether the law of equivalence is satisfied. This looks to what has been loaned, not to what is to be done with what has been loaned."\textsuperscript{48}

In reference to the long passage from John A. Ryan quoted above on the virtual productivity of money, Patrick Gearty seemingly enlists the approval of B.W. Dempsey, for he points out that B.W. Dempsey made the following observation with reference to extrinsic titles: "If we admit the idea of a market in which the privation of money has a common price, these titles might be considered as intrinsic to loans in such a market" [I, 171, n. 77].\textsuperscript{49} Closer scrutiny of this footnote seems to veto the notion that B.W. Dempsey was "approving" of the virtual productivity of money. The above short quote was a footnote comment of B.W. Dempsey on his own passage contained in the text that follows:

\begin{quote}
... there is no title by which the lender may receive anything beyond the principal lent. However, any circumstance which does alter the value of money to the lender or
\end{quote}


\textsuperscript{48}Ibid., p. 155.

\textsuperscript{49}Patrick Gearty, The Economic Thought of John A. Ryan, p. 208.
because of which he incurs a cost on the occasion of the loan may be found a title to compensation. These titles were called "extrinsic" as being something apart from the money itself but yet involved in the loan transaction when viewed concretely as a whole. They were not extrinsic to the particular loan; but since a loan may be made in which these titles are absent, they are extrinsic to the essential idea of a loan [I,171; emphasis added].

These titles might be considered as intrinsic to loans in a certain market, or a particular market; but they are "extrinsic as being something apart from the money itself." They remain extrinsic to the essential idea of a loan.

H. Consumed in Use

St. Thomas's position is, briefly, this: money is a measure of price and therefore a medium of exchange; as a medium of exchange its normal use is to be spent; in being spent it is lost to the buyer or used up, is consumed in use; the use of money, then, cannot be separated from the money itself. From this point St. Thomas develops two arguments against usury, one that it is unjust to make a separate charge for the use of money over and above the money itself; the other that, as ownership must be transferred in a loan, it is unjust to charge the borrower for the use of what he owns. It is to be noted that both of these conclusions are reached from the premise that money is consumed in use. The use of money is inseparable from the money itself; hence, first, the lender may not charge separately for its use, and, secondly, ownership of money loaned is transferred to the borrower -- because, and only because, money is consumed in use.\(^50\)

\(^50\)St. Thomas Aquinas, S.T., II-II, q. 78; cf. quotation of art. 1, ad corpus, in previous dissertation text, where it is stated that this passage was an "integral part" of B. W. Dempsey's thinking on usury.
B.W. Dempsey endorses the primacy of St. Thomas Aquinas on the problem of usury. In his story of Molina, Lessius and Lugo he refers to them thus:

The writers [Molina, Lessius, Lugo] whom we shall discuss considered themselves at one with the medieval way of thinking. All three wrote, if not strictly in form, at least very definitely in practical content, a commentary on Thomas Aquinas . . . they did not consider that they brought to this work anything strikingly new. Their work was of a piece with that of Aquinas and Antonius of Florence . . . absolutely the same principles rule [I,116-18].

Later in the same work, B.W. Dempsey states that Molina does not include the notion of consumption good in his definition of *mutuum*, in which the crucial point is the transfer of ownership, which is practicable because we are dealing with a fungible good . . . in his [Lugo's] opinion, the norm of "consumption goods" does not go to the heart of the matter, which for him rests entirely in the transfer of ownership" [I,142-144]. Dr. Herbert Johnston takes sharp exception to the above exposition as is clear from the following:

For Molina, Lessius, and Lugo, as Dempsey has shown, the basic factor in *mutuum*, and so in the question of usury, is the transfer of ownership; they explicitly reject the notion of "consumed in use" as the important point. As we have already seen at the beginning of this paper, St. Thomas bases his treatment of *mutuum* and usury definitely and explicitly on

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51B. W. Dempsey distinguishes between a *consumption good* such as food or wine and a *standard fungible good*, such as standardized chairs or highly substitutable dollar bills. For instance, "if the folding chairs in both schools were of the same standard model, there would be no purpose in exercising care to return the same chairs. The loan would be of a standard fungible good but not of a consumption good, and the loan would be a *mutuum" [I,143].
the notion of money as consumed in use; the argument based on the transfer of ownership depends directly on that conception and is intelligible only in its light on this question, then, and this is the one at issue, the work of Molina, Lessius, and Lugo can hardly be said to be "of a piece with that of Aquinas."

... In the light of the foregoing development, it may fairly be asked whether, by rejecting the notion of "consumed in use" in favor of that of "transfer of ownership" as the fundamental point in the consideration of mutuum and usury, Molina, Lessius, Lugo and Father Dempsey do not seem to have cut themselves off from the authentic medieval tradition on this problem and from the possibility of a true understanding of its solution.52

In response, it should first be clear that St. Thomas Aquinas' term "consumed in use" includes not only B.W. Dempsey's term, consumption good, but also standard fungible good. In an attempted refinement, B.W. Dempsey wishes to distinguish the way wine or food was consumed and the manner in which a standardized product such as a folding chair was "consumed." Thus, one could hardly say that B.W. Dempsey explicitly rejected the notion of "consumed in use." Whether he gave it proper emphasis in relation to "transfer of ownership" is another point of consideration.

Dr. Herbert Johnston wrote this article attacking B.W. Dempsey's understanding of mutuum, and hence usury, in 1953. B.W. Dempsey, ever alert to such articles,53 seems to take up the charge, at least indirectly, in his subsequent book, The Functional Economy, published in


53 Dr. Herbert Johnston's article with appropriate border markings was in the possession of B. W. Dempsey. The writer of this dissertation now has this marked article in his possession.
1958. We shall allow B.W. Dempsey to "answer" the charge of misplaced emphasis himself.

The fact that St. Thomas [S.T., II-II, q. 78, art. 1] draws his first example from the realm of consumption goods has drawn some writers off on the tangent that the injustice of usury has something to do with consumption loans and would not be involved if there were a question of productive loans. There is nothing in this text or elsewhere to justify this view. Although it is perfectly true that the most tragic victims of usury may be those who borrow for consumption purposes, this does not of itself establish the justice or injustice of the act, though it may be highly significant for other virtues. A careful reading of the text will indicate that the fundamental consideration is not the fact that consumption goods are lent (for money cannot in any sense be called a consumption good), but the fact of the transfer of ownership. If I lend any object in such a way that the borrower becomes the owner of the object borrowed, then I cannot charge him for the use of something which is his. This transfer of ownership is obvious in the case of food and drink, and also in the case of money, "for the use of money is the spending of it" [S. T., II-II, q. 117, 4 ad corpus]. It is less obvious but equally true in the case of any standardized or fungible good that can be lent in such a way that the owner is indifferent as to whether or not he receives back the identical article lent but is satisfied if he receives a perfect substitute.

That it is the transfer of ownership which is significant is clear from the introduction of the phrase, "the return of the thing in equal measure." When anything is lent in such wise that the return of the original article is not expected but the return of one of the same sort, the debt is resolved with payment "in equal measure." A Model-T Ford could be lent for some dangerous excursion.
The owner of the car might be fully aware of the dangers involved, and be fully satisfied if he received back, not his own car, but another Model-T of the same year and approximately the same mileage [F,408].

In the light of the foregoing development, may it not again fairly be asked whether B.W. Dempsey in any sense "cut himself off from the authentic medieval tradition" on this problem of usury and "from the possibility of a true understanding of its solution?"
Chapter Seven

THE FUNCTIONAL WAGE

Whether or not within his framework of socio-economic thought B. W. Dempsey made an outstanding recognized contribution in the form of a FUNCTIONAL WAGE.

I. THE PROBLEM OF WAGE ANALYSIS
   A. The State of Wage Theory
   B. Practice Outruns Wage Theory
   C. The Need of an Internal Principle of Organization

II. THE ANALYSIS OF THE FUNCTIONAL WAGE
   A. The Antecedents of the Functional Wage
   B. Functional Wage through Organization
   C. Functional Wage through Motivation
   D. Capital Creation by Labor
   E. Programs of Functional Wage Theory

III. CONCLUSION
THE FUNCTIONAL WAGE

I. THE PROBLEM OF WAGE ANALYSIS

The Frontier Wage, B.W. Dempsey's last work, was published posthumously; actually, only a few hours after his death (July 23, 1960). It is a book about wage analysis. The specific purpose of the book is to examine a particular theory of wages, namely the wage theory of Johann Heinrich von Thünen. This wage theory is not a new theory; it is just over a hundred years old. B.W. Dempsey felt that it admirably fitted into his own economic thought. Within his lifetime, B.W. Dempsey had carefully integrated his own thought on the basis of the best of Scholastics and what he considered the best of the moderns, particularly Joseph A. Schumpeter. He had long felt keenly the need of a wage theory that would fit into his own mature thinking. This he found in Johann Heinrich von Thünen. Needless to say, he endorsed it enthusiastically. Furthermore, it gave B.W. Dempsey an opportunity to "complete" his own economic thought. Accepting the key ideas of von Thünen, B.W. Dempsey now for the first time had a doctrine of the functional wage to fit into his functional economy. Von Thünen attempted to establish an economically sound and correct wage. The author of The Frontier Wage was certain that von Thünen had succeeded. Thus, he published not only to publicize but to develop this fact. B.W. Dempsey was convinced that his functional wage theory presented not only an economically sound and correct wage, but a just wage as well.

A. The State of Wage Theory

In The Frontier Wage, B.W. Dempsey reviews and examines theories of wages that economists have presented to the world in the past two hundred years: first, in some detail, in their own content, and then in their relation to one another and in their relation to the times which produced them. Together with von Thünen, B.W. Dempsey draws from his survey the conclusion that, except for very broad and obvious factors, if the economic analyst today is asked to state with any precision what determines this or that particular rate of wages, the only possible answer, in B.W. Dempsey's words, is "I don't know."
Not only to remedy what he considered the deficiency of present wage theory, but also to complete his own system of economic thought, were the reasons why B.W. Dempsey analyzed this wage theory. More proximately, as B.W. Dempsey admits, The Frontier Wage "owes its origin to a cursory but penetrating remark by Joseph A. Schumpeter in his History of Economic Analysis that Johann Heinrich von Thünen's wage formula could not be called unsound in itself as some had thought; and further, that the formula in spite of the severity of its conditions might have useful implication for some forms of profit sharing" [W, VII].

For many years, himself deeply interested and involved in the profit-sharing movement, B.W. Dempsey was well aware that academic economists had ignored profit sharing. He asked himself the question: why have academic economists ignored profit sharing while it was obviously succeeding and offering increasing promise? Characteristically, his answer was always "that the operation of profit sharing had never been presented to the academic world in the analytical formulae currently in vogue among and acceptable to economic analysts" [W, VII]. Thus, Schumpeter's observation seemed to B.W. Dempsey, the respectful disciple, an invitation to present profit sharing in such form.

B.W. Dempsey was of the opinion that a fresh analysis should be made of the problem of wages. Admittedly, he had come to the realization and conclusion that the "pivotal problem of wage determination" has no "analytical foundation worth mentioning." "Wages are the things men work for and live by," emphasizes B.W. Dempsey, "and if we do not know where we are or how we got there in this critical field, we do not know very much about how our economy as a whole is operating." He cites a number of analysts of American business and economic practice of like mind. "There exists precious little dynamic theory of the long-term development of wages" [W, 30].

1 "The unsatisfactory state of this branch of economics is an open secret or, in Veblenian terms, a matter of common notoriety outside the profession as well as inside it. Theoretical support can apparently be mustered in imposing strength for almost any opinion or

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even emotion" [W,30]. Other quotations cited by our author underline the fact that when the economist turns to the general problem of wage determination "his voice becomes muted and his speech halting:" that wage economics is in a "muddled state"; that an economist can safely deny that there is "any theory to evaluate." "At present there is no comprehensive theory of wages that commands general acceptance."

B.W. Dempsey feels that the "ideological and propaganda significance" of being unable at present to put forth an adequate wage theory is "overwhelming." Marxism has no such embarrassment, even though "it is totally unembarrassed by facts."

B. Practice Outruns Wage Theory

As our curve of achievement has gone up, our curve of explainability has gone down. If we [Americans] cannot tell even ourselves why and how we pay the wages that we do, B.W. Dempsey explains, "the curve of explainability is very low indeed." "Fortunately for us," he hastens to add, "the reason for our inability to explain ourselves lies in the simple fact that 'American practice in this regard has outstripped theory'." Clearly, B.W. Dempsey was of the opinion that, in a number of important ways which have been inadequately recognized, practice outruns theory.

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First of all, many organizations have introduced profit sharing programs -- which have no home in present "academic" wage theory. Eloquently, B.W. Dempsey, long an ardent advocate of profit-sharing, eulogizes this practice:

Profit sharing by widening the function of enterprises opens the door for the release of human capacities that Marx, the European Doctor of Philosophy, locked up with his theory of class conflict.

Long ago America was warned that unless we manifested the same inventiveness and resourcefulness in social dynamics as we have manifested in physical production and in distribution and sales promotion, we would lose our momentum and be confronted with economic and social decline. Our progress in the field ... and their application by the Council of Profit Sharing Industries are among the finest signs that we are re-ordering ourselves on some solid basic compass points and using the recovered principles of functional economy with strong effect [F, 265].

Secondly, in almost all industries wages are higher than any "outmoded" wage theory warrants. Part of this margin is represented by a pension, welfare, stock ownership or other similar fund, and especially in the growth of these pension funds which somehow are tied to output. Implicitly and in practice, wage theory is being outrun. "Failure to recognize explicitly what is being done," B.W. Dempsey states categorically, "greatly limits the effectiveness and benefits of what is actually being done" [W, 31].

Thirdly, American production is organized. Referring to large scale businesses such as "motor, steel and chain stores," B.W. Dempsey points out that the methods developed in such huge industries are studied and adapted by much smaller units "which also have good ideas of their own." Certainly, in consequence of the higher standard of living, some workers become savers and thus

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6Cf. F, 260-265; F, 364-365; W, 146.
make a beginning of becoming capitalists [cf., F,129]. In no way does this present phenomenon fit into current wage theory. "When we recognize where we are and what we are really doing, we don't look quite so foolish when we try to explain. If our practice has outrun our theory let us keep the good practice and formulate a new theory."

C. The Need of An Internal Principle of Organization

A most familiar theme running through all of B.W. Dempsey's writings is the need for an intrinsic principle of orderly cooperation. In countless places [F,21, 57, 390; W,128-129] he alludes to this intrinsic principle of socio-economic life. When two or more difficult things converge on one objective, this new combination, this unity of diverse things, has been produced by order of some kind. To paraphrase B.W. Dempsey's thought in reference to the factors of production, as expressed frequently throughout his writings, these factors do actually co-operate in the production of goods and services. Furthermore, the economic processes are somehow coordinated into a system, or waste would be too common and overwhelmingly great. Obviously, therefore, "the relations between labor and management should be consciously cooperative as their substantive interests are complementary." The factors are in fact unified and the processes do reach an end.

B.W. Dempsey considers "the Ricardo-Marxian view" of the economic system which is widely accepted, explicitly or implicitly, as furnishing no intrinsic principle of orderly cooperation and coordination of factors of production -- land (nature), labor (man), and capital -- nor coordination of the economic processes -- production, distribution, exchange, consumption. An economic system that assumes "an ineradicable clash of wills and interests," an essential opposition of factors in processes, provides no rational intrinsic basis for the orderly cooperation which is actually essential. B.W. Dempsey believes that on the American economic scene this internal organization of factors and processes was practically achieved in contradiction of their proposed beliefs:

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As long as people's common sense caused them to act in violation of their own (Marxian class conflict) professed beliefs, we could get along. When serious economic troubles, like price collapse following wartime inflations, made an opposition of interest seem real at the time, and revealed the lack of an internal principle of organization, economics turned outside itself to politics. Labor and business alike appealed to Civil Government to impose on economic activity from without some kind of order and unity, which it was incapable on its own terms as then professed of providing from within [W, 129].

B.W. Dempsey's views continue in the same vein. He regarded Ricardian economics as having a "radical deficiency" that could furnish no positive principle of unity within the economic unit because such an economic system believed that economic activities possess "in the free struggle of competitors . . . a principle of self-direction which governs it much more perfectly than would the intervention of any created intellect." This view overlooked the possibility that the free self-determining intellects which bring the goods to competitive markets could alter their own economic organization. When they do alter, competition and free markets, as B.W. Dempsey posits, remain a strong and useful economic stimulus and discipline, but a secondary one. To directly quote: "Markets presuppose organization and organizations; they do not create it or them; but man's own organization for production can create and control and adjust" [W, 174]. In conclusion, the author of The Frontier Wage sees the lack of such an internal principle of organization in Ricardian economics "that sent both management and labor, sometimes one, sometimes the other, sometimes both, to the doorstep of the state begging for an extrinsic principle of unity to supply the one they lacked as being its basic deficiency" [W, 174-175]. To establish such an intrinsic principle as a basis of a functional wage is the purpose of The Frontier Wage. The indispensable condition of social order is "to abolish conflict between

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8Quadragesimo Anno, n. 88.
Only the establishment of an internal principle of organization can abolish class conflict. The basic problem, therefore, is to find a wage theory that will furnish an intrinsic principle of organization for a functional economy; such a principle understood would remove the prevailing practice and pseudo-principle of class conflict.

The nineteenth century bequeathed us only one wage theory, the Ricardo-Marxian with variant forms, surprisingly combined with a labor-cost theory of exchange value... Marx simply took Ricardo's subsistence theory and class conflict, subtracted the right of private property from the system and emerged with the exploitation theory; labor produced the whole value, labor got less than the whole value. Therefore labor was "swindled"... But to posit class conflict on principle is an economic process where cooperation is obviously essential if anything at all is to be produced is an irrational and inherently contradictory analysis. This would be true if factors and classes were co-extensive which, in America, they are not. But it is the vestiges of this one wage theory, the child of nineteenth century erroneous analysis, in our business, labor and economic thinking which furnish the explanation of our utter lack of a workable wage analysis in the face of our productive triumphs.

To regard present day Marxism as a viciously aggressive empire willing to extend its domination by any means whatever is only political common sense. To regard Marxism as a political economic system with any claim to serious attention by Americans is indefensible.

American twentieth century practice has completely outrun nineteenth century Ricardo-

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8Quadragesimo Anno, No. 81.

10The Frontier Wage, p. 98-88].
Marxian class conflict theory. Both Ricardo-Marxian capitalism and Ricardo-Marxian socialism belong to economic history. The future belongs to American Functional organization if we will stop trying to impose anachronistic categories on the facts.\footnote{Ibid., pp. 108-109.}

II. THE ANALYSIS OF THE FUNCTIONAL WAGE

B.W. Dempsey bases his functional wage, which is an integral part of his functional economy, on the "adequate wage theory" of Johann H. von Thünen. His "rediscovery" of von Thünen gave him an opportunity to integrate and complete his own analysis of a "functional economy." In no way was this "rediscovered" wage theory a stranger, or something completely alien to B.W. Dempsey's thought, but in reality, as we shall see in the ensuing treatment, a continuation of his own thought. It is not our task to give Thünen's thought and contribution, but B.W. Dempsey's. Upon von Thünen, B.W. Dempsey built; his wage theory he made his own -- merged, integrated, developed it into a consistent whole.

If the hundred-year-old wage analysis of von Thünen is so useful, why has it not gained wider acceptance? Why had it to be in a sense "rediscovered?" Schumpeter in his History of Economic Analysis puts his finger on the precise reason. Von Thünen called his wage a "natural" wage, "but of course, this wage is not natural in the sense that the free market mechanism tends to produce it" \footnote{Joseph Schumpeter, History of Economic Analysis, p. 467; Schumpeter devotes several pages to von Thünen, pp. 465-68; in these pages von Thünen's famous wage formula is explained.}[W, 371]. He distinguished carefully between what was natural in the sense that the market mechanism tended to produce it and the wage which emerged in an economy with rational and human reorganization. By natural wage, von Thünen meant a wage that was commensurate with human nature concretely considered. "A wage that is conformable to intellectual activity and to a full use of all men's abilities is a wage that is conformable to human nature" \footnote{Ibid., pp. 108-109.}[W, 135]. "Yet so bemused by the power of the market..."
system was the nineteenth century," relates B.W. Dempsey, "that any economic magnitude not so produced could be ignored and was." 13

A. The Antecedents of the Functional Wage

Briefly, the foundation of B.W. Dempsey's functional wage analysis was von Thünen's treatment of the Isolated State. On the frontier of the Isolated State, the worker "with courage and industry" could clear land, make his own farms, and create his own capital; or even more easily, groups of associated savers and capital-producing workers could clear and then work the land. When the return came in, what they would pay themselves as wages and what they would take as return on their capital production depended entirely upon the workers' free decision. As long as these conditions lasted, wages within the frontier had to be sufficient to compensate the worker for this opportunity foregone, or he would not forego it. The wage emerging under these conditions was a wage commensurate with human nature and in this sense a natural wage. B.W. Dempsey expresses Thünen's purpose practically:

. . . . he set about to do what he could to install a wage system that would promote his workers a family living wage, give them some incentive to increase output by improved methods, and make a start on building up a capital sum and these are the essential elements of a wage "conformable to human nature" [W, 48].

Under the market mechanism, if the worker has no income but wages and if wages are in no way related to product, then the worker's sole advantageous course is to raise wages to the highest level economic pressure can get him. If the worker has no income but wages and if wages are in no way related to product, the lower the employer can keep wages, the higher his investment income will be. Under these conditions, one is forced to conclude, total output definitely will be less than it

13The Wage Frontier, p. 102-103.
could be under alternative workable forms of organization.

What von Thünen has done, in short, is to give mathematical expression, supported by economic analysis and quantitative expression under the limited conditions of the frontier of an isolated state,\textsuperscript{14} to an alternative form of organization in which wages are related to output.

Firstly, a wage system, and therefore a wage theory, must recognize and reconcile two legitimate goals of the two most active factors of production. Workers are interested in subsistence, "not Ricardian minimal subsistence but adequate means of life;" a man "works for a living." On the other hand, management is primarily concerned with output. A practical wage system must be one which by intelligent organization taking human beings as they are "genuinely integrates these two most reasonable concerns." "In the divorce of the worker from his product," states von Thünen, "lies the source of the evil" of the opposition of classes, of the meager wage he observed actually being paid because total output was so low and the worker had neither motive nor opportunity to increase it.

Secondly, production is a cooperative effort. Conscious organization is necessary to achieve, not only among fellow workers but among all the factors of production, the kind of cooperation that maximizes output and minimizes cost. Such organization does not replace competition, but conditions it, alters it; competition remains "a powerful economic force" but organization precedes it. "Certainly intelligent organization and not a bare formula," opines B.W. Dempsey, is the core of von

\textsuperscript{14}... assumes that the isolated state is in a static condition; that the laborers are equal in intelligence, skill, etc.; and that perfect competition pervades the entire state. He assumes that beyond the margin of cultivation there is a limitless territory whose fertility is equal to that of lands already under cultivation, and he maintains that the rate of wages and the rate of interest existing at the margin of cultivation determine the rate of wages and rate of interest throughout the entire state [W,110].
Thünen's thought.\textsuperscript{15} Organization is simple recognition of the fact that, "save for the rare individual working quite alone," total output is the result of coordinated effort. "This kind of functioning organization," comments B.W. Dempsey, "is essential to high output at low cost and it is not produced by a market mechanism . . . When organization succeeds in integrating all elements in the production unit and giving them sound motives for cooperation in maximizing output and minimizing cost, the performance is so transformed that it may well seem to be a wholly new thing."\textsuperscript{16}

Thünen was not only an excellent theorist, but a practical man. He considered that an approach to a natural wage tied to output is better than no such link at all. "This much is evident," he states, "that even if a complete return to the natural wage (commensurate with human nature) were not possible, the bad conditions would be mitigated to a great extent if the workers could be given even some part of their wage in proportion to the product of their labor" [Text W,328; italics added]. Basing his treatment on von Thünen, B.W. Dempsey in summary fashion outlines the frontier wage on three frontiers [W,178-182]. This frontier wage "is the wage that prevails when workers have real and practical alternatives of creating capital of their own" [W,178]. The frontier wage is encountered and so can be described on three frontiers: the "analytical" frontier, the "geographical" frontier, and the "organizational" frontier.

First, the analytical frontier, also termed the "theoretical" frontier [cf. W,181], had as its essential characteristic that what the worker produced over and above subsistence for himself and family he had the opportunity to turn into capital in the form of improvement of his own property. On this "theoretical" frontier, economic organization is such that the workers and the capital providers are assumed to be the same people. Thus, when economic organization is composed of capital-creating labor, either simple opposition of interest or "class conflict" are impossible. Even when the workers and capital providers are not the same people, the

\textsuperscript{15}\textit{The Wage Frontier}, p. 104.

\textsuperscript{16}\textit{Ibid.}, p. 105.
economic organization is most advantageous, providing there is to some (increasing) extent workers' participation in capital ownership. While this frontier is conceived by von Thünen as a theoretical condition, B.W. Dempsey points out that "Thünen explicitly appealed to the American frontier as substantially verifying his 'unrealistic' conditions and as having in fact achieved a natural wage" [W,170].

Second, the frontier wage was actually met on the American geographical frontier during all but the last decade or two of the nineteenth century. Having established the size of the maximum wage that can be maintained in his "laboratory on the frontier of the Isolated State," von Thünen turned confidently from his theoretical (analytical) frontier model to the "North American States" to point out that here his analysis was verified. The reason for its verification, B.W. Dempsey acutely points out, "was that as long as it was at all possible for a man to take a rifle and an axe and head for the wilderness and return a landed proprietor, the employer on the seaboard had to pay a wage sufficient to make some resist this temptation" [W,5]. This wage actually was high enough (von Thünen estimated it to be three times the comparable European rates) that some were able to save and to head west fairly well-equipped. "The high wage designed to keep men from the frontier," B.W. Dempsey emphasizes, "made possible a rate of saving, a degree of capital accumulation, so high that those who did take to the frontier did not have to do so empty-handed, but many were able to go forth quite well-equipped with the all important capital goods" [W,179].

The third and last frontier, the organizational frontier, "recognized originally perhaps by Thünen alone," is the presentation of the opportunity and challenge to create realistically within the producing organization the conditions which duplicate the opportunity and motivation for creative and constructive activity once exercised on the geographical frontier. The essential characteristic of the geographical frontier, as of the theoretical frontier wage, was "that what the worker produced over and above subsistence for himself and family could be made in the form of improvement of his own property if he was willing to work at it" [W,182]. The task of the organizational frontier makes an advance, for it is "to duplicate realistically, honestly, and vividly the motivation and opportunity to maximize
output and lower costs that existed when real alterna­
tives and opportunities to go west were presented to the 
worker" [W,182]. The sums the workers earn and save arise 
solely out of the efficiency earnings that are made 
possible by organization of free, self-determining 
persons:

To minimize this combination of current total 
output and ultimate human potential, it was 
necessary to go beyond the mere symbols of his 
(von Thünen's) formula. The formula was estab­
lished under conditions where workers and 
investors were the same people but it remains 
valid when workers and investors are different 
people. But obviously the best results would 
be obtained where workers participated in 
capital creation by saving as well as by its 
physical creation. Therefore the more fully 
workers could participate in investment income 
the better, and therefore the more fully their 
increasing compensation could come to them in 
forms which could be invested and yield fur­
ther investment income, the greater would be 
the total return and the greater the rate of 
progress. This required organization and to 
his own analytical frontier and the American 
geographical frontier, Thünen added the orga­
nizational frontier and left it for future 
students to conquer with appropriate organiza­
tional innovation. 17

Within this rediscovered Thunian framework, in true 
innovational fashion, B.W. Dempsey constructed his 
functional wage system.

B. Functional Wage Through Organization

In his last year of life, it "greatly pleased" B.W. 
Dempsey to be able to complete his functional economy 
system. Sufficient has been mentioned to indicate his own 
recognition of the need of a functional wage theory to 
develop, integrate, and complete his works. In that year, 
he was fond of rethinking and mulling over St. Thomas's

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17The Wage Frontier, p. 106.
social writings, Joseph Schumpeter's economic thought, and Johann Heinrich von Thünen's writings on wage. These were his inspiration, the mentors of his mature thought. This dependence becomes abundantly clear in our subsequent treatment.

In the "current style of economic analysis," once an analytical sequence is started in the Schumpeterian circular flow, as is often done, from a static or steady equilibrium, there is no way to change this situation except by entrepreneurial innovation which changes the production functions. Yet the common experiences of many enterprises, even with those which do not share "profits," is that real changes do occur which are not entrepreneurial innovation in character. Yet, obviously, at least in some broad sense, "innovation has occurred and it is not basically entrepreneurial innovation." To account for this innovational phenomenon, B.W. Dempsey analyzes certain functions and makes several useful distinctions. In outline form:

1. **Function of Management**: (The preservation of equilibrium). Management adjusts an enterprise in equilibrium to the inevitable minor variations, foreseeable at least in a general way, in the quality of materials, the sequence of orders to be scheduled, the shifting of personnel to cover vacancies, and so forth [W,162-163; 128-129; 148].

2. **Function of Enterprise**: (The disturbance of equilibrium). The entrepreneur introduces the truly new...
idea, process, or product, which brings with it new production functions [Text, W,246-248; F,353-364].

3. Function of the Labor Force: (The perfecting or completing of equilibrium or innovation).

The big new idea of the entrepreneur involves hundreds of little new ideas; and the work force, in a plant that has been genuinely motivated and integrated by being tied to output so that everybody is genuinely interested in maximizing output and minimizing cost, can and does provide the "innumerable minor internal innovations" that adjust a true entrepreneurial innovation to a new equilibrium.

Although B.W. Dempsey, in a heading in his Functional Economy, refers to The Worker as Entrepreneur [cf., F,364], he distinguished carefully this internal "innovation" from true enterprise because it is without risk, and from true management because it is innovation. But, at the same time, he insists that it is a fact; "and every time a man in the plant says, 'why don't we try it this way?' and a cost saving results, we have an example of this internal innovation."

Schumpeter in his classic analysis of the function of enterprise quite legitimately stripped the economic process of development down to its barest bones in order to isolate the function of the entrepreneur. This was proper and instructive and illuminated the process as never before. However, the utility of this device does not require us in real life to find enterprise pure and unmixed. The experience of the member firms of the council of Profit Sharing industries continuously reveals among the working personnel of these firms the qualities of mind and will that are proper to the entrepreneur. "Why don't we try it this way?" coming from the men on the floor who really know the operation, is a common experience in firms whose profit sharing program has awakened the human impulse to progress. Likewise, the acceptance of responsibility for the care of property and equipment, for the avoidance of waste, breakdowns, or schedule snarls rests upon the other half
of the entrepreneurial function, the action of the will.

The funds which sound profit sharing makes available for distribution to workers are not wages; they are efficiency earnings that the co-ordination of many little entrepreneurial acts makes possible [F,364-365].

Since man cannot determine values directly, he must turn to the thing he can determine: his course of action, which can affect cost and supply through organizational change. According to present socio-economic theory, wages tend to the minimum of subsistence through the opposition of factor class interests. As B.W. Dempsey points out, "the notorious unsatisfactory state of wage theory arises from the fact that firms try to buy a commodity -- man-hour input -- which cannot be quantified and measured and packaged like a commodity and may not be delivered on time even if it could be" [W,160]. In a functional economy, the functional wage would become attainable through organizational change -- and only this way. Once having admitted internal innovation -- that is, the self-determination of men to set up organizations which are expressive of human nature -- into the circular flow, "there is no limit to its horizon." The whole human race, organized for unity, can raise itself to unconditional freedom" [Text, W,337].

In concrete economic terms related to wage payments, the ability to make choices is that which differentiates labor from the other factors of production once their owners have put them into specific form. Investors in a particular industry make choices, and their choices are embodied in plant and equipment. Suppliers of a particular enterprise using the sunk costs of their previous investment in plant and equipment use working capital to turn out materials which are sold. The machine and the materials once specified in a definite form can be

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22 In reference to the above, B. W. Dempsey states in a footnote that "As might be expected, the work of that first-rate economist (von Thünen) on re-examination fares very well in explaining a 'wage consistent with human nature' when the small entrepreneurial roles are recognized" [F,365].
accurately priced in a market and can go on the books of a company at a definite cost. All of these items become permanently committed. But the value of the machines and materials (other than secondhand or scrap) depends chiefly on the continuing contribution by labor which every day has the opportunity of making a fresh choice of the direction and degree of its commitment and effort. Commitment of labor is not permanent as the other factors of production are. Thus, it follows that the value of the machinery and materials is determined by the effort which labor chooses to expend in the productive process. B.W. Dempsey, by way of example of this freedom of commitment, indicates "make work rules" and the "slow-down strike."

Since investment in plant and current operation by suppliers is free in the first commitments, the necessity of adequate motivation for fixed and current investment has always been recognized. What has not been recognized is that the "commitment of labor remains free day by day and that the application of effort and intelligence is a voluntary daily commitment" [W,135]. Therefore, the contribution of a voluntary agent cannot be priced in a market in the same way as non-voluntary agents such as machinery and materials can be priced. Labor cannot simply be a cost to be minimized, but is a collaborator within the firm which needs full motivation to release its full powers, the same as any other voluntary contributor such as the entrepreneur or the investor does. The capacity of labor to commit or inhibit its contribution of personal assets does not only occur at the moment of first employment or at the time of contract negotiations, but remains real every single day of employment when the commitment of the free agent may be altered or reversed.

C. Functional Wage Through Motivation

"Motivation and organization are the poles around which Thünen's world revolves" [W,62]. B.W. Dempsey built on Thünen foundations of motivation and organization, and again these are the poles, commensurate with human nature, upon which a functional wage system is built. Organization alone is not enough. Unless a simple, intelligible, and acceptable motivation is presented to the worker, he will neither use his intelligence nor his freedom for the purpose of maximizing output and minimizing unit cost. Nor will this motivation just happen. Thus, the stress on proper organization, for "organiza-
tion must furnish adequate motivation to the worker to use his intelligence and freedom" [W,135]. "The ultimate root of any human organization is in motives, in the will" [W,148]. It has long been recognized that workers grow and develop when they are given motive and opportunity to develop their capacity for responsible action [cf. W,162-163]. In the words of B.W. Dempsey:

Unless a simple, intelligible, and acceptable motivation is presented to the worker for contributing to cost reduction, variable unit direct cost is not simply subject to management decision except through the negative and costly procedure of dismissal. Without such satisfying motivation, cost reduction is something "they" do; co-operate is something "we" may or may not do [W,159].

In a sound socio-economic organization, a worker has "simple, intelligible, rewarding, and rewarded motivation" to integrate his actions with the objectives of the firm because he participates in the net result. The firm is an organization, as B.W. Dempsey puts it, when "what 'they' want and what 'we' want coincide." Motivation is always necessary for the release of human powers and free commitment which is the only way a rational person, complete and self-possessed, can become a part of any organization.

D. Capital Creation by Labor

The word "capital" is used in a confusing variety of senses. The use of the word capital is perhaps most often confused with a supply of money with which an enterprise does business. This, however, is a transferred meaning of capital. "Money is not capital, but is merely the means of getting capital" [F,24].

In its economic sense, capital is saved-up resources and saved-up labor employed in the production of goods and services. Though man and nature are the ultimate factors of production, capital is not simply man or nature, but it is a man-made instrument of production, desired not for its own sake, but for the sake of the things that it will produce. Capital goods are productive tools, in contrast with consumer goods which yield direct satisfaction to the one who uses or consumes them.
Capital is the word used to describe all tools, machines, sources of power, or alterations of nature (roads, for example) that are produced not for their own sake, but for the sake of things that can be produced with them.

Capital goods have in general these three characteristics: their production involves the passage of time, in some cases a very long time; they are intermediate goods, not ordinarily consumable nor intended for consumption; they can enormously increase human efficiency. To this bare outline of the nature of capital, B.W. Dempsey fully subscribes [cf. W,245, 143-145, 358-361, 113-114, 119; F,24-25, 195]. Thus, its significant features are that it enormously increases man's efficiency and control of nature, that it involves saving, at least in a sense of non-consumption, and finally, that saving and the construction of the goods involve the passage of time.

B.W. Dempsey explains by example how capital involves saving and some expenditure of time in its buildup:

A pioneer fisherman, for example, can catch fish by throwing his lines from the shore. If he builds a boat, however, he increases the range of his activities, and ultimately increases his catch of fish. During the period when he is building the boat, he is unable to fish, and in this phase the saving or under-consumption consists of the fish that he does not eat, because he did not catch them. Secondly, if he threw all of his cut logs into the fire to keep himself warm some evening, he would have no logs with which to build his boat and thirdly, the construction of the boat takes time [F,25].

B.W. Dempsey fully recognized the capital-creating function of labor, and made much of it. Capital, he insists, is the product of labor; but this product in turn replaces human labor and itself serves for the further production of new capital. Between capital and labor, accordingly, an intimate connection and substitutability occur which seem to be indissoluble. Since the original capital [cf. text, W,249-255] is born wholly of
labor, labor is the only proper standard for the cost of production of capital.\textsuperscript{23}

In several other ways, B.W. Dempsey saw capital as caused by labor. First, by saving -- in the sense of non-consumption, man places an always indispensable condition of capital formation; and the manner of the saving may raise it from the status of a condition to that of a cause. B.W. Dempsey explains:

At the very least, if logs are actually used for consumption purposes, such as the making of a warm and cheery fire, they will never be used for capital purposes, no matter how well suited they may have been for such purposes [W,114].

Non-consumption is the first minimum negative condition of capital formation. Second, man is the immediate physical, efficient cause of capital. Man "moves one thing from here to there and removes another from the path of the first" -- all activities that are designed to increase output. Third, man is a further cause by his intelligence -- he makes the land more productive than it was in its natural form.

The moving of this and that -- grading, draining, watering, planting, the removal of badly placed shade trees, the keeping of well-placed fruit trees -- these are all directed by intelligence. To explain capital, which to be must involve a method of production in some sense superior, we must appeal not only to man's labor of muscle but to his labor of mind. Without man's physical and intellectual labor capital is and remains unintelligible [W,115].

\textsuperscript{23}Cf. Joseph Schumpeter, \textit{History of Economic Analysis}, p. 590 n., on the necessity of repeated emphasis that the use of labor as a standard of value has no connection whatever with a labor theory of value; cf. W,164 fn.
E. Programs of Functional Wage Theory

True profits are the result of innovation. True profits are distinct from mere wages of management and normal interest on investment. To fully bring out the function of the labor force as intrinsic innovators and their corresponding relation to "profits," B.W. Dempsey turns to a profit sharing program as an example. He looked upon the introduction of a "sound profit sharing program" as an organizational innovation as real as "the conception of the supermarket or the shopping center" [W,161]. Briefly, we shall sum up the reasons, in summary fashion, why he considered profit-sharing as a program that would in actual fact furnish the proper organization and motivation for a functional wage system.

First, since a sound program requires the full understanding, acceptance, and concurrence of the workers as well as of management, the introduction of the program could be considered as entrepreneurial innovation on the part of both labor and management.

Second, while the basic major commitment to processes, products, and quantities is the domain of management, the innumerable recurrent minor decisions by which the basic decision is actuated and by which costs are minimized are the domain of the workers in the midst of the process. Of course, the promptness and accuracy with which these little decisions whose cumulative importance is so great are made depends primarily upon the motivation which has been presented to and concurred in by all voluntary inputs.

Third, even in the most highly automated process, as well as in the most elementary manual operations, B.W. Dempsey would hold that the observation of the man who sees the process most clearly and closely may be the source of a great number of minor internal innovations. Certainly, the cumulative effect of even these minor intrinsic innovations can be powerful if they are numerous.

B.W. Dempsey would conclude from the above that "there is literally a world of difference between that minimal return which is the exclusive and excluding right of the stockholders, born of opposition of interest and strongly perpetuating the dual situs of decision, and the expanding return born of voluntary concurrence of all voluntary inputs including individual workers when they are given motive and opportunity to develop their capacity for responsible action" [cf. 161-163].
In his constant effort to put his theoretical writings into practical form through example, illustration and program, B.W. Dempsey did not hesitate to suggest the elements of a suitable practical wage contract to fit his functional wage theory.  

1. A basic organization contract of stable cooperation and cooperation in production. This he assures us would do away with the "necessity of putting on a show of class conflict every two or three years."

2. A guaranteed annual wage at about 60 per cent of present levels. This he would consider the minimum family wage element in wages.

3. A product income based on total net revenue of the operation with some cognizance of the part which labor costs are of total costs. This he would consider the product element in wages, healing the "divorce of the worker from his product." "Product income," B.W. Dempsey advocates, "should be paid in two parts, one part cash, one part paid into a fund which yields income for pension and welfare purposes, either in the stock of the company, in mutual funds, in the stocks of companies with equally sound policies, or in any other prudently managed fund."

CONCLUSION

B.W. Dempsey always felt that a sound economic community should conform to certain principles. He never felt that sound economic organization could be blueprinted. He viewed his life work as an endeavor to discover these underlying principles of economic organization. He sought out those principles that unite economic society according to what men do and contribute, namely their function. The subtitle of "The Frontier Wage," The Economic Organization of Free Agents, shows how natural it was for him to assume that to strive for the "natural wage," a wage that corresponds to human nature, is good. But to show that a wage theory is commensurate with human nature means to call attention to the fact that, realistically, production is a cooperative free effort, requires intelligent organization and adequate motiva-

tion. Briefly, the proper economic organization of free agents implies the embodying of the underlying principles of an adequate wage theory.

Admittedly, it is too early to fully evaluate the degree of his wage contribution. That B.W. Dempsey has made a contribution by his "re-discovery," by refining and development of von Thünen, at least this, surely, can be granted without argument. His own claims for his wage theory are valid norms for its evaluation and the worth of his contribution. A rapid enumeration of some of the claims made by B.W. Dempsey in his presentation and development of von Thünen's wage theory should assist us with evaluation. His "functional" wage analysis:

1. Denies and eliminates class conflict as a principle.

   If a functional wage analysis in economics is a fact, class conflict becomes an untenable theory; not only the pseudo-principle of class conflict, but the very fact of class conflict is counteracted by a tenable functional wage theory.

2. Establishes an intrinsic principle of cooperation. With the disappearance of the guilds, an internal principle of organization or order in economic life was lost; functional wage theory claims to have recovered this principle -- this should be a great and fundamental contribution. Such a functional wage theory furnishes an intrinsic principle of orderly cooperation, thereby furthering the coordination of factors of production -- land (nature), labor (man), and capital, and the coordination of the economic processes -- production, distribution, exchange and consumption. "Extrinsic unity imposed by the state can be no substitute for the recognition and cultivation of the intrinsic unity that actually exists and produces in daily operation" [W,172].

3. Is a theory that catches up with wage practice in the United States. There is a need of a theory that hauls alongside of current wage practice where to some degree proper organization, adequate motivation, and intelligent cooperation make every man a potential capitalist. "There exists then, in the United States, genuine functional communities, large groups of people who have a common interest, a common task, and a common purpose. These persons, regardless of location form a functional
community quite as real and almost as important as the civil municipality" [F,320-321]. There is, therefore, need of a fresh analysis of the functions of the entrepreneur, of management, and of labor.

4. Completes his functional system of economic thought which is recognized as a contribution, by integrating into a functional economy a corresponding functional wage theory. In such an economy, innovation by free and intelligent economic agents can be continually absorbed. Organizational innovation can be recognized precisely as an innovation by a free agent, and group action is provided a place in the analysis.

5. Is a "rediscovery" and presentation of the "key" contribution of a great economist, von Thünen. Even though such a presentation would have merely historical value, this is a significant contribution of economic ideas. Furthermore, it can surely be considered as a presentation of "new" wage theory to the "academic" world in the analytical formulae currently in vogue and acceptable to economic analysts.

6. Makes a just wage possible. B.W. Dempsey was convinced that his functional wage theory presented not only an economically sound and correct wage, but a just wage, as well. Previously, B.W. Dempsey placed most of his emphasis on exchange justice -- particularly as his treatment had to do largely with the application of price determination to the area of interest rates. But in the area of the just wage, contributive (social) justice becomes more operative. Admittedly, if every market were fair, then every worker should be getting a living wage, and that, in exchange justice.

Most often this market is not fair, and in B.W. Dempsey's opinion, this is due to a market not organized along functional lines. In such a "malfuctioning" economy, quite apart from the employer's ability to pay a living wage, B.W. Dempsey would deem it impossible to show that the employer has a strict obligation to pay a wage above the going rate. He held that under these conditions the full-time effort of an experienced, able-bodied worker may or may not command a living wage at the going rate. When such a worker cannot command a living
wage, then for some reason "the market in that industry is badly organized."

... not that the employer has an obligation to pay a wage which he could not long pay, but rather that all parties: workers, managers, owners, bondholders and possible consumers, have an obligation to consider their position. They must set about establishing a market that serves both those contributing to the industry and the purposes of the community of a whole.²⁵

That is, while a living wage cannot be shown to be due any worker in commutative justice apart from market conditions, it is readily shown that an "equally important obligation exists" in contributive (social) justice. In his opinion, his functional wage theory would remedy such a badly organized market, render the industry socially just and so the industry would provide a living wage at the going rate. A truly just wage can exist and be preserved in a properly organized, that is, a socially just economic community. B.W. Dempsey attempts to organize such a community.

Once a market has been established "that serves both those contributing to the industry and the purposes of the community as a whole," an employer has an obligation to pay a living wage, and a worker can command a living wage in exchange justice. Then a just basic wage should be paid to an employee for his labor and assumed by management as a cost of doing business. But the employer cannot determine what is the just total wage for the employee until after the product has been sold and the net profits realized. Only after that, under functional organization, can the true value of the employee's labor be determined. A just total wage, therefore, must be geared directly to profits and must include a share of those profits. B.W. Dempsey is quick to point out that "this presupposes that the employees have expanded their extra cooperative efforts so that good profits can be realized." Since you cannot pay a total just wage without paying the employees "their profit share" (as von

Thünen stated), then employees have a right to their profit share and can demand this share. Under functional wage organization, this share is owed to them in exchange justice. Such a presentation gives a theoretical underpinning to such programs as profit sharing. Thus, the remedy of the deficiency of wage theory could be claimed as a contribution.

7. Gives labor groups an adequate philosophy of labor. A philosophy built upon intelligent cooperation rather than conflicting interest is more consonant with the nature and dignity of a man. Sharply critical of the current labor movement (sometimes others mistakenly believed he was anti-union), he based his criticism on the willingness of the movement to accept apparent gains in social justice at the expense of subsidiarity. To him this was tantamount to the acceptance that the "end justifies the means." Unions, in his opinion, have "confronted [us] with a gain in objective social justice combined with a loss of subsidiarity function and a sharpening of class conflict with the state now involved in the conflict" [F,448]. By objective social justice, he meant a condition that, although it may be judged to be contributive to the common good, is brought about by forces other than the exercise of social justice. An economy organized on intelligent cooperation and motivated along functional lines would eliminate class conflict, be protective of subsidiarity, be consonant with social justice, and therefore be the basis of a satisfying philosophy of labor.

8. Consonant with the social principles put forth in the social encyclicals. B.W. Dempsey himself, while admitting they are not identical, perceives the "intimate parallel" in two analyses, that of von Thünen and that of Pius XI in Quadragesimo Anno; he quotes the following passage to exemplify what is parallel:

Man's productive effort cannot yield its fruits unless a truly social and organic body exists, unless a social and juridical order watches over the exercise of work, unless the various occupations, being interdependent, cooperate with and mutually complete one another, and what is still more important, unless mind, material things, and work combine
and form as it were a single whole. Therefore, where the social and individual nature of work is neglected, it will be impossible to evaluate work justly and pay it according to justice.26

This does not mean to infer that B.W. Dempsey considered the wage contract unjust. Far from it, as he quotes the following from Pius XI, referring to it as being "clear" in itself and "common teaching among qualified Catholic scholars:" "the wage contract is not in itself an unjust contract."27 Commenting, he says, "participation, though eminently desirable on many grounds, cannot be shown to be a matter of natural right and, apart from a specific contract freely entered into, is not a matter of commutative justice" [F, 264]. Yet, if the innovating function of the worker gives him the "ethical claim" to participate in "profits," as B.W. Dempsey seemingly indicates [cf. W, 139], how can a wage contract which seemingly does not admit this function be just?

How B.W. Dempsey would answer this is not precisely known.26 But his earlier well-stated position is clear. "Certain programs, of which profit sharing is the most common and most successful, cannot be demonstrated to be obligatory in either commutative or social justice" [F, 204]. Yet, at the same time, he admits that these programs "may be of greatest practical benefit in creating an atmosphere in which these obligations are easily fulfilled." The following Papal quotation not only indicates B.W. Dempsey's position and reason for it, but gives the reason why he was "so pleased" to toil on The Frontier Wage. He was eager to find ways that the wage contract could be modified somewhat by a contract of partnership:

In the present state of human society, however, we deem it advisable that the wage contract should when possible be modified

26Quadragesimo Anno, No. 69, 74-75.

27Quadragesimo Anno, No. 64; F, 204.

somewhat by a contract of partnership as is already being tried in various ways to no small gain both of the wage earners and of the employers. In this way, wage earners are made sharers in some sort in the ownership, or the management of the profits [F,205].

Does B.W. Dempsey's "functional wage theory's" use of the term "profit" fit into normal economic theory? According to the "functional approach" profits are a residual income created by the external innovations of the entrepreneur. When capital is borrowed, payment is made prior to the residual determination of profit in the form of interest -- "a tax on profits." When the worker makes internal innovations, the return to him can be a sharing in profits. But is this last real innovation? Where is the risk element? The noted authority A. Vermeesch indicates common traditional doctrine when he states that under the term "labor" there is included all those who supply labor, whether of a manual, intellectual, or directive character. Seemingly, B.W. Dempsey would grant that a worker may forego payment for his intellectual (innovating) endeavors as part of a wage contract. His worker is an innovator who assumes a certain "risk" by being willing to depend upon anticipated profits as part of his reward. B.W. Dempsey attempts to establish something other than a legal basis or agreement for the worker's participation in profits. He bases it on the worker's economic function of being an internal innovator who assumes some risk because he forgoes his assured wage contract payment for the anticipated reward of "innovating" endeavors.

Assuming the worker as innovator, is there a real obligation in commutative justice to reward him by profit sharing? Certainly, labor's reward under the wage contract is determined by the value of the work, not by any right to the final product of his labor. Does this change? It would seem that labor, under the wage contract

29 Quadragesimo Anno, No. 65.

30 A. Vermeesch, Quaestiones de Justitia (Brugis: Beyaert, 1901), p. 499 ff.; Cf. also his commentary on the encyclical Quadragesimo Anno in "annotationses," Periodica, vol. XX (February, 1931).
contract, would have no right in commutative justice to demand any portion of profits while the old contract was in force. B.W. Dempsey looks upon profit sharing as a desirable goal in social justice, as an organizational means of changing the level of wages. Once the level is changed through an employer's action, is he not bound by the higher level in commutative justice? By then has it not become the "common estimation?" 31

Does "income from superior worker efficiency" 32 fall under profits or economic rent? If it falls under economic rent, the "functional wage theory" fits more snugly into normal economic theory. Suppose the return that was expected by the employer from an excess of price over cost was to be derived not from an innovation by him, but from a higher level of efficiency that could be attributed solely to his own workers (not to his management and not to workers in other plants). Would he be obliged in commutative justice to give such to his workers? Such a return of course would not come under the definition of a "profit."

Would not the answer be that he would be obliged even though those workers were already receiving a living wage? Could he not consider this type of income to the workers of one particular firm over the level paid to workers in all firms and, therefore, over the common anticipated productivity of that type of worker, to be an economic rent because of a greater comparative efficiency in his workers? 33 Economic rent, a differential surplus, should be paid to that factor responsible for its

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31 Cf. Chapter II, "The Just Price."

32 W, 182 -- "These [capital] sums are amassed at nobody's expense: they arise out of the efficiency earnings that are made possible by organization of free, self-determining persons."

33 O. von Nell-Bruening, Reorganization of Social Economy (transl. from German by B. W. Dempsey) (New York: Bruce, 1939), p. 169; "It is clear that efficiency must be compensated for. Consequently, better performance can demand a higher compensation, and it is superfluous to state this explicitly."
existence.\textsuperscript{34} Just as the renting of land of greater fertility demands a higher return, so workers with a higher efficiency that is relatively scarce may demand a singular reward additional to the wage commensurate with the common productivity of all workers. Is not the employee entitled in commutative justice to a wage that represents the economic value of his labor and to a rent that is due his particular service?

Many probing questions could be added. Those above were not intended to exhaust the possibilities of B.W. Dempsey's functional wage approach. They were rather leads which readily suggested themselves, built around the one topic or problem: B.W. Dempsey's concept of profit.

Certainly, some of the above claims of making a contribution to wage theory seem valid. While it is too early -- The Frontier Wage was published late in 1960 -- to make an adequate evaluation of his contribution, internal evidence gives indications of a real contribution. True evaluation of these claims must await the sifting of experts over a period of time.

\textsuperscript{34}Ibid., p. 169.
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