

## Study Questions for George Reisman's *Capitalism: A Treatise on Economics*

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### CHAPTER 1. ECONOMICS AND CAPITALISM

#### PART A. THE NATURE AND IMPORTANCE OF ECONOMICS

1. What is economics, according to the author?
2. What are some frequent alternative definitions of economics?
3. How does the individual live under a division of labor--that is, for whom does he produce and from whom does he obtain the goods he consumes?
4. "The importance of economics derives from the importance of wealth." Discuss.
5. Why is the importance of wealth not sufficient to establish the importance of economics?
6. Would Robinson Crusoe be able to produce more if could salvage some books on economics?
7. How does the existence of the division of labor as the system of producing wealth necessitate the science of economics?
8. To what extent does the population of the present-day world live in division-of-labor societies?
9. To what extent has the history of the world been characterized by the existence of division-of-labor societies? In what century and what country did the division-of-labor society of the present-day world first develop? What society represented the greatest development of the division of labor prior to modern times? What happened to that society?
10. "What makes the science of economics necessary and important is the fact that while human life and well-being depend on the production of wealth, and the production of wealth depends on the division of labor, *the division of labor does not exist or function automatically.*" (a) Explain the potentially destructive effects on the division of labor of public opinion that is fashioned in ignorance of economics and what such a situation is analogous to. (b) Describe what the consequences of the destruction of the division of labor would be on human life and well-being, especially what would happen to population figures and why. (c) Explain the rapid growth in population figures around the world over the last two hundred years, after centuries of stagnation, on the basis of the higher productivity of labor resulting from the division of labor.
9. Describe the important applications of economics, according to the author, apart from the very survival of a division-of-labor society and all that depends on it. Be sure to deal with the following aspects: (a) What major present-day problems can be solved on the basis of a knowledge of economics? (b) What kind of important applications does economics have to the understanding of history and current events? (c) Describe the implications of economics for ethics. (d) What are its applications to understanding one's place in the world and the kind of world one lives in? (e) What are its applications to business? What is its most important application to business? (f) What is the relationship of knowledge of economics to the defense of individual rights. (g) Who needs to know economics?

## **PART B. CAPITALISM**

1. What is capitalism?
2. What is the relationship of the division of labor to capitalism?
3. "Economics, as the science which studies the production of wealth under a system of division of labor, is actually the science which studies the production of wealth under *capitalism*." Discuss.
4. Describe the philosophical foundations of capitalism and economic activity, without which they could not develop or only minimally develop. Be sure to deal with the following aspects: (a) philosophical convictions pertaining to the reality and primacy of the material world of sensory experience, (b) the philosophical conviction that the world operates according to definite and knowable principles of cause and effect, (c) the extent of conceptual awareness of the future, (d) the individual's identification of himself as a self-responsible causal agent with the power to improve his life, (e) the relationship between property rights, on the one side, and the principles of causality and "secularism" on the other, (f) peace and tranquility, respect for individual rights, limited government, and economic and political freedom, (g) great entrepreneurship, (h) the ability of economic science to influence people's thinking so that they will favor capitalism and sound economic policy.
5. What is the meaning of freedom?
6. What is the meaning of physical force?
7. What does the *initiation* of physical force mean?
8. Why does fraud represent the initiation of physical force?
9. Why is the existence of government necessary to the individual's freedom in relation to other private individuals?
10. What kind of government is necessary if the individual is to have freedom in relation to the government?
11. Why must freedom be defined not merely as the absence of the initiation of physical force, but, in addition, in order to highlight its most crucial aspect, the absence of the initiation of physical force specifically by, or with the sanction of, *the government*.
12. Describe the essentials of the relationship of the government of the United States to the concept of freedom both over the course of most of its history and at the present time.
13. Explain how freedom is the foundation of both personal and economic security.
14. Explain how the existence of freedom implies the existence of peace.
15. Contrast peace as the accompaniment of freedom with the "peace of slaves and cowards."
16. "The existence of the social security system is a leading consequence of the belief that in order to achieve economic security, one must violate economic freedom and establish a welfare state. It also provides essential evidence about what is wrong with that belief." Discuss.
17. "Economic freedom and political freedom--property rights and human rights--are indivisible; they are, in fact, merely different aspects of the same thing." Illustrate in terms of the freedoms of speech and press.
18. Using illustrations, compare and contrast the rational and the anarchic concepts of freedom. Be sure to deal with the following aspects: (a) the fundamental facts of reality that the rational concept of freedom incorporates and takes for granted, (b) what the rational concept then focuses on as having to be absent in order for freedom to exist, (c)

the anarchic concept's obliteration of the distinction between two sorts of obstacles to the achievement of a goal or desire: "obstacles" constituted by the ordinary facts of reality, including other people's voluntary choices, and obstacles constituted by the government's threat to use physical force.

19. "On the basis of the anarchic concept of freedom, it is claimed that freedom is violated any time there is anything that, for whatever reason, a person cannot do, from flying to the moon, to being able to afford a house or a college education that is beyond his reach, to committing murder." Discuss.

20. "The anarchic concept of freedom is implicitly accepted by conservatives and fascists, as well as by anarchists and hippies." Illustrate.

21. "Such acts as murdering one's mother-in-law or speeding through red lights and thereby threatening the lives of others, are so far from representing freedom that their *prohibition* is what actually constitutes freedom." Discuss.

22. "The anarchic concept of freedom is present in the assertion of Communists and socialists that their freedom of speech is violated because they are threatened with arrest for attempting to disrupt the speech of an invited speaker by shouting him down or by speaking at the same time." Discuss.

23. "A prohibition on arbitrarily shouting 'fire' in a crowded theater should not be construed as any kind of limitation on the freedom of speech, let alone a justified limitation. On the contrary, in the case of a live theatrical performance, the freedom of speech is violated precisely when someone does arbitrarily shout 'fire.'" Discuss in the light of the rational concept of freedom.

24. "The freedom of the press is violated and censorship exists not when a newspaper refuses to publish a story or a column that, for any reason, it regards as unworthy of publication, but when it is prepared to publish a piece and is stopped from doing so by the government. A private newspaper cannot commit censorship. Only the government can commit censorship." Discuss in the light of the rational concept of freedom.

25. "The freedom of travel is *not* violated when an individual wants to travel somewhere but lacks the ability to pay the cost of doing so. On the contrary, it is violated when he *has* the ability to pay the cost, and wants to pay it, but the government stops him--say, with a wall around his city (as existed until a few years ago in East Berlin), a passport restriction, or a price control on oil and oil products that creates a shortage of gasoline and aviation fuel and thus stops him from driving and the airlines from flying." Discuss in the light of the rational and anarchic concepts of freedom.

26. "State laws that impose residency requirements for the receipt of welfare violate the freedom of travel, because they stop people from traveling in the knowledge that they will have no source of funds when they reach their destination."

Discuss in the light of the rational and anarchic concepts of freedom. In your answer, be sure to explain how striking down such requirements represents violating the freedom of taxpayers, according to the rational concept of freedom.

27. "What makes the anarchic concept of freedom so destructive is the fact that in divorcing freedom from the context of rationality, it not only seeks to establish a freedom to initiate physical force, as in the case of the anarchic concept of the freedom of travel, but also, on the basis of the consequences of such a perverted concept of freedom, provides seeming justification for the violation of freedom as a matter of rational principle." Discuss.

28. "The anarchic concept of freedom leads to the belief that freedom of speech is incompatible with the communication of thought. The rational concept of freedom, on the other hand, establishes freedom of speech precisely as the safeguard of the communication of thought." Discuss.
29. "In recent decades, the government's energies and efforts have more and more been diverted from the protection of the individual's freedom to the violation of it." Discuss.
30. "The growth of government corruption is the result of the decline of freedom." Discuss.
31. "To the degree that they exist, freedom and the pursuit of material self-interest, operating in a rational cultural environment, are the foundation of all the other institutions of capitalism." Explain with respect to the following: (a) private ownership of the means of production, (b) saving and capital accumulation, (c) the development of the division of labor, (d) the development of exchange and money, (e) financial self-interest and the profit motive, (f) economic inequality, (g) economic competition, (h) the price system, (i) economic progress, (j) the harmony of rational self-interests.
32. Use the economic history of the United States as an illustration of the answer to the preceding question.
33. Explain why economics and capitalism are controversial. Be sure to include an account of the following: (a) the various attacks that are frequently made on economic activity and capitalism and their effect on legislation and government intervention in the economic system, (b) the prevailing prescientific worldview in the realm of economics, (c) economics versus unscientific personal observations, (d) economics versus altruism, (e) economics versus irrational self-interest, (f) economics versus irrationalism
34. It is usually argued that science must be "value free." In opposition to this view, name some leading values that science rests upon and without which it could not be pursued.