

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

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CHAPTER 9. THE INFLUENCE OF THE DIVISION OF LABOR ON THE INSTITUTIONS OF CAPITALISM

PART A. PRIVATE OWNERSHIP OF THE MEANS OF PRODUCTION

1. Describe the fundamental ways in which private ownership of the means of production benefits *nonowners* of the means of production. State the above benefits in terms of the supply of what one buys and the demand for what one sells.
2. To what extent are the benefits of privately owned means of production to nonowners generally recognized? (In your answer, be sure to develop the implications of the following: (a) the assumption that if you are in favor of private ownership of the means of production and of respecting the rights of the owners of the means of production, you yourself must be a wealthy capitalist or in the pay of such capitalists; (b) the assumption that blue collar districts will vote for leftwing candidates, while pro-freeenterprise candidates can be expected to do well in high-income areas; (c) the way to fight the spread of communism is to make more people into capitalists.)
3. "Prevailing ideas concerning the benefit from ownership of the means of production derive from the era predating the establishment of a division-of-labor society and have not been reexamined since that time." Discuss.
4. "The benefit of privately owned means of production to nonowners is the greater and more rapidly increasing, the more the property rights of the owners are respected." Discuss.
5. Describe the benefits that owners of the means of production derive from them that nonowners do not.
6. Describe how much is available from the significant-sized capitalists for redistribution without directly and immediately encroaching on their capitals. Explain the effect of redistribution that is at the expense of capital.
7. Explain whether or not a policy of the redistribution of wealth and income is of benefit to nonowners.
8. "People should welcome government ownership of business enterprises because then the business firms become theirs." Discuss.
9. Explain why the alleged citizen owners of government enterprises, like the Post Office and Amtrak, cannot derive the special benefits of ownership that are derived from privately owned means of production.
10. Explain the benefits derived by *nonheirs* from the institution of inheritance and why the imposition of inheritance taxes is against the interests of everyone, not just the heirs.
11. Explain the case, *from the point of view of the average wage earner*, for initially concentrating tax cuts on the incomes of businessmen and capitalists rather than on the incomes of wage earners.
12. Explain the special hostility to private ownership of land.
13. Explain how private ownership of land operates to reduce the economic significance of land rent.
14. Explain how private ownership of land in a market economy operates to eliminate the stain of violent appropriations of land that may have occurred in the past.

15. "The conditions of a nondivision-of-labor society are necessarily those of recurring conflict and warfare, with successive waves of newcomers again and again forcibly displacing the previous inhabitants." Explain why.
16. Explain and criticize the policy of land reform.
17. Explain why it is not necessary for a country to have sovereignty over land and natural resources in order for its citizens to benefit from that land and natural resources.
18. Describe the benefits of foreigners' development of a country's natural resources to the inhabitants of that country.
19. Explain why a policy of economic freedom and respect for the property rights of foreign as well as domestic investors is essential to the economic development of the backward countries.
20. Explain what policy on the part of its government would give the maximum possible benefit of the land and natural resources of any given territory to the people of the world as a whole. Discuss the implications of this for a country's being able to remain at peace.
21. Explain what is meant by the "Argentine delusion" in connection with the collectivist view of the ownership of natural resources.

PART B. ECONOMIC INEQUALITY

1. Explain why in a division-of-labor society, the proposition that one man's gain is another man's loss does not apply.
2. Is there such a thing as an actual distribution of wealth? Explain.
3. Explain how the notion of a distribution of wealth leads to the conclusion that it is unjust for one person to produce more than another.
4. Explain why, both in their origin and in their use, great business fortunes are a source of gains to everyone who participates in the economic system. (Be sure to include in your answer a description of what is required in terms of financial arithmetic to accumulate a great fortune and what is required to go on earning a high rate of profit over a long period of time.)
5. Illustrate your answer to the preceding question in terms of Henry Ford's accumulation by the end of his life of \$1 billion after having started out with about \$25,000.
6. "Relative rates of growth or decline in accumulated wealth are the result of a combination of relative rates of profit and relative degrees of saving out of profits." Discuss.
7. If it is true that 10 percent of the population owns 90 percent of the wealth of the country, what is the significance of that fact?
8. Describe the Marxian doctrine on economic inequality.
9. Explain the essential differences between economic inequality under capitalism and economic inequality under feudalism.
10. What are the essential differences between a slave owner and a slave, on the one hand, and an employer and a poor, hungry wage earner, on the other,
 - a) in terms of the relationship of the slave owner and employer to the cause of the worker's suffering
 11. b) in relationship to what is required to keep the worker at his job
 12. c) in relationship to the ability of the worker to exploit the best of the opportunities open to him
13. "Galbraith's views on the nature of freedom are out of *1984*. He claims that what we think of as constituting freedom is in fact slavery." Discuss.

14. How are lack of employment opportunities itself the result of the violation of freedom?
15. "The feudal nobility were in fact not landowners at all in the proper sense of the term. Their position was more analogous to that of hereditary commanders of military bases." Discuss.
16. In what ways does socialism, rather than capitalism, represent a revival of the conditions of feudal-type inequality?
17. Explain how the law of diminishing marginal utility is used to justify attempts to equalize wealth and income, e.g., by means of progressive taxes.
18. Explain the essential fallacies present in the use of diminishing marginal utility to justify the seizure of others' wealth or income.
19. On what basis can human beings be *selfishly* concerned with the well-being of the rest of mankind? What are the limits to such concern?
20. "The solution to the problem of massive, overwhelming poverty on a global scale, cannot be charity. On the contrary, it is *the science of economics*, which is truly *the humanitarian science*." Discuss.
21. Explain once more what is meant by the doctrine of external benefits or externalities.
22. "As an attempt to wring benefits for others from sacrificial victims, by means of force, the external-benefits doctrine destroys the basis of the existence of benefits to others being a value to an individual, and is thus a self-nullification." Discuss.
23. According to Paul Samuelson, "Abilities are much more equally distributed than are incomes While human traits seldom differ by more than a factor of 3, high incomes today are more than 100 times greater than the lowest." Explain why the "distribution" of income and wealth is more skewed than the normal curve and what is involved in the assumption that the "distribution" of wealth and income should follow the normal curve.
24. Explain what is meant by the equality-of-opportunity doctrine.
25. Explain what would have to be done to achieve the equality of opportunity.
26. What are opportunities? How abundant are they? Can they be created by individuals? If so, how?
27. How extensive must employment opportunities be, given man's limitless need for wealth and the fact that production is limited only the availability of labor?
28. What is meant by the freedom of opportunity?
29. How do violations of the freedom of opportunity explain the side-by-side existence of limitless employment opportunities and mass unemployment?
30. Explain how, on the basis of the principle that the individual creates his own opportunities, it is possible for a child born to poor parents ultimately to far outstrip in his accomplishments practically everyone else.

PART C. ECONOMIC COMPETITION

1. Explain the essential difference between economic competition and competition in the animal kingdom.
2. Explain why, in the nature of the case, there are no long-run losers as the result of economic competition.
3. What is the effect of competition among food growers and pharmaceutical manufacturers on the hungry and the sick?

4. Explain how individuals end up benefitting *even from the very improvements in production that initially cause them a "loss"*--for example, the case of the blacksmiths who were displaced by the automobile.
5. "The effect of competition is an upward ratcheting of standards accompanied by continual efforts to match and exceed the rising standards." Discuss.
6. Compare and contrast the short-run loss periods for unskilled workers, skilled workers, and those who lose invested fortunes as the result of economic competition.
7. Can anyone legitimately claim that economic competition reduces his standard of living?
8. In what way do those who denounce economic competition as the "law of the jungle" implicitly support the real law of the jungle?
9. Explain how economic competition, rather than being in conflict with economic security, is in fact an essential foundation of economic security.
10. Explain how the hardships of those who lose their jobs as the result of economic competition would be alleviated if there were more freedom of competition rather than less.
11. Compare and contrast the law of comparative advantage with the pyramid-of-ability principle. Show how both principles are integrated into a wider principle of the harmony of interests.
12. Does population growth represent a competitive conflict of interests? Discuss.
13. Does freedom of immigration represent a competitive conflict of interests?. Discuss.
14. Would the existence of a fixed quantity of money and a corresponding fixed volume of spending represent a situation in which there was a genuine conflict of interests? Discuss.