

BIBLICAL ECONOMICS TODAY

Vol. II, No. 1

© Institute for Christian Economics 1979

Feb./Mar., 1979

CONSUMER SOVEREIGNTY vs. MAN'S AUTONOMY

By Gary North

A few years ago, United Airlines ran television ads that featured the phrase, "you're the boss." Passengers in the ads were constantly being told, "you're the boss" by all the smiling actors who were portraying the United Airlines employees.

One fellow I know always made it a point to enquire on every United flight, "Who's the boss?" Invariably, there would be some confusion, and then he would announce, grinning, "I'm the boss!" He even went so far as to shout "Who's the boss?" into the pilot's compartment, and when the captain dutifully answered, "I am," my friend laughed, "No, I'm the boss." No doubt this endeared both him and the advertising agency to all the United employees who were treated to this little lesson in free market economics.

Actually, my friend is an entrepreneur himself, the owner and operator, along with his family, of America's most financially prosperous profit-making Christian day school. He is also a minister of the gospel. So when he says, "I'm the boss," he mentally qualifies the phrase with "God's the boss, and I'm only his steward." But at the same time, he knows that he, as consuming steward, is indeed the responsible boss; without his purchase the seller of goods and services forfeits the profits that might have been made on the sale. The seller who ignores this fact loses.

Who Owns What?

My friend and his family own the school and its grounds. In other words, they have legal title to it. Since it is profit-making, he has to pay local property taxes on the building and grounds. The civil government holds him liable. The government says that he's the owner, and therefore he is personally responsible for the taxes. It is only slightly ironic that the bulk of his property taxes goes to support the government school system, his zero-tuition competitor. It is also ironic that voters think that he pays the taxes; consumers of the product pay the taxes.

Since he has not incorporated his business, he is a "sole proprietor." The state and national governments therefore classify him as self-employed when they send out the income tax forms. He is the owner of the business, and therefore the tax collectors regard him as self-employed.

Yet if "he's the boss" when he buys an airline ticket, how can he also be the boss when he sells seats in his school? How can both consumer and producer be the boss? If he is self-employed, then who pays him the money for tuitions? Isn't the boss the one who pays? Aren't the parents of the students the bosses, economically speaking?

The market distinguishes between owner and employer, even if the tax collector has failed to understand the difference. The owner holds legal title to the property. The employer hires the use of all or part of the property from the owner. The employer, in effect, rents the good (including the labor time) owned by the legal owner. The truly "self-employed" person is either a hermit or bankrupt.

The buyer of a resource, or in another example, the person who rents the other person's property for a specified period of time — a seat on a plane, a seat in a classroom, or whatever — offers in exchange some valuable resource. Perhaps the exchange is a bartering of services, or even mutually borrowed tools. Or it may be a transfer of ownership, such as dollars for education. The point is this: two parties claim ownership of certain resources, over which they are legally sovereign, yet each must regard the other as the boss if he wishes to effect a mutually profitable exchange. If one man wants the use of another's asset, either on a temporary or permanent basis, the private property economy forces him to become humble concerning the asset he presently owns which he wishes to exchange for the other person's asset.

Mutual exchange therefore demands, if not emotional humility, then at least visible, demonstrated humility. The fact that a person desires the use of another person's asset in no way destroys his own legal sovereignty over his presently owned assets. He, as a consumer, is sovereign over what he owns. But as a potential seller, his legal sovereignty enhances the other man's sovereignty as a potential consumer. The other man has legal control over his asset, too, so that he cannot be compelled to hand it over. Each man has legal sovereignty over his own asset; each man has consumer sovereignty over his own asset; and each man must honor the other's sovereignty, both as owner and consumer, if a mutually beneficial exchange is to take place.

Consumer Sovereignty

The concept of consumer sovereignty is basic to any market exchange economy. However, the phraseology has alienated some economists. One group, the **Interventionists**, hate to use the phrase because they believe that the supposed monopoly power of the **sellers of goods and services** somehow shields them from the non-monopoly position of the **sellers of money**. They limit the use of the term "sovereignty" to the sellers of goods and services; sellers of money are somehow not sovereign. If they were to rewrite the great Pearl Bailey hit of the 1950's, they would write: "It takes one to tango," unless the State redistributes economic power, of course.

On the other hand, there are some **anarcho-capitalists** who reject the language of consumer sovereignty, because they think it creates confusion in the minds of the public. They think that others will think that "consumer sovereignty" refers to an implied legal sovereignty of all potential **sellers of money**. In other words, some people may want to pass legislation compelling sellers of goods and services to sell to any and all people who offer money in exchange. Equal opportunity housing laws would be examples of this kind, or laws compelling hotels to rent rooms to members of minority groups. There is no such thing as legitimate legal sovereignty over the other man's property, the **anarcho-capitalists** argue; you have to buy such legal sovereignty on a coercion-free market.

From a tactical point of view, the **anarcho-capitalists** have a good point. There is too much confusion concerning legal sovereignty and its function on a free market. Legal sovereignty provides the owner of an asset the power to use or dispose of it as he sees fit. He therefore possesses consumer sovereignty over it. This gives him the **legal right to bid** in the open market for other men's assets, using all or a portion of his assets as his competitive bid. A person who owns (controls) one asset, and who believes that he could put another asset to even better use, has the legal right to enter the market's auction system and place his bid for that other asset. Thus, in the words of W. H. Hutt, who first enunciated the concept of consumer sovereignty in the mid-1930's,

Applying this standard, we must regard property-owners as the custodians of the community's scarce resources. The powers they possess in dealing with these resources must be regarded as delegated by them in its consumer aspect. So conceived, the system which is variously known as "private enterprise" or the "private property system" is simply one in which the task of deciding upon action in response to consumers' will is diffused by a more or less automatic devolution throughout the community.

The key here is the idea of "deciding upon action in response to consumers' will." The **asset owner** decides what his response should be to the various offers by market participants to purchase his scarce economic resource. Should he sell? Should he rent it? Should he hold it for appreciation? Should he consume it himself now or in the future? It is **his asset**. He decides. But he decides within a

framework of legal ownership and competitive bidding.

Other consumers have the legal right to offer their asset — over which they are sovereign as **legal owners and potential consumers** — in exchange for my assets, which legally own and have the right to consume or sell or rent. Each owner therefore has two fundamental legal rights. First he has the right to use his own assets. Second, he has the right to enter the competitive auction of the free market in order to offer his assets in exchange for other men's assets. The idea of consumer sovereignty, properly understood, does not imply any legal right to another man's assets. But it does imply the right to impose the costs of legal ownership on another property owner.

The Costs of Ownership

What are the costs of ownership? First, there is the cost of maintaining the civil government, which in turn is supposed to enforce lawful contracts, protecting men from theft, coercion, and fraud. This, of course, is denied by the **anarcho-capitalists**. Second, and equally important (though not fully understood by most observers), is the cost associated with holding an asset off the market. If I am offered money or assets for my property, I have to forfeit the use of those assets and that money when I decide to cling to my presently owned asset. No one should be allowed to force me to sell, but no one can or should protect me from the full opportunity costs of holding my property. If I forfeit the use of some asset by maintaining possession of another asset, I thereby pay the market costs of ownership.

When I speak of "holding an asset off the market," I really mean refusing to sell it at present prices. No asset can be held off the market, except by concealing its existence, if by "market" we mean the right of others to bid for it. Even an asset that I cannot legally sell — my wife, for example, or some prescription drug that has been assigned by a physician for my own use — may have a market price, though a black market (illegal market) price. While it is not necessarily true that "every man has his price," it is true that **every man bears the costs of saying no** to whatever price another person may offer him. Even in the case of an asset which is concealed by an owner from other market participants, the owner pays a price, namely, the forfeited opportunities associated with the highest price that **would have been offered** had others known of its existence. The presence of a free market means that men must bear the costs of ownership.

Consumer sovereignty therefore involves the universal imposition of the full economic costs of ownership, twenty-four hours a day. No owner can escape. If he refuses to sell, he forfeits the use of whatever assets were offered to him in the giant auction by other owners. This is why ownership in a free market is truly a **stewardship function**. Men must make decisions in response to the offers of others. The old evangelical slogan, "no decision is nevertheless a decision," is valid when applied to market transactions, including the refusal to make a transaction. There is no escape from the responsibilities of ownership.

United Airlines (and the banks that have advanced the money) is the boss. The directors can decide, in the name of the owners of United Airlines stocks, whether or not to fly the airplanes. But the directors cannot make this decision at zero cost. Always before them are the competitive bids of potential paying passengers, not to mention the competitive offers of United's rivals; the other airlines, bus lines, auto rental services, used car lots, and even a few unprofitable passenger train lines (that the government forces the trains' managements to keep in service). United Airlines is the boss, for as long as the firm is making profits and not being forced into bankruptcy by management's failure to predict future consumer demand and meet it at a price consumers are willing to pay.

The same is true of all consumers. We are the bosses over our money. But if we need to get from here to there — if we find it in our self-interest to do so — then we want others to compete for our money. We want to get there inexpensively.

Present legal owners therefore have assets that enable them to become future consumers of other people's presently held assets, if they offer the right price. The free market allows each potential future consumer to impose costs — stewardship costs — on any other present owner. This process reminds all owners of their responsibilities. No one can escape either the responsibilities or the costs of ownership. By keeping owners reminded of their economic responsibilities as owners, the free market auction process

imposes the costs of being arrogant. Legally, owners can be arrogant in their ability to control an asset, but economically they cannot do so at zero cost. A consumer can legally maintain his sovereign ownership, but never as an autonomous being, for to be autonomous, a person must be free from the economic (scarcity) constraints of market prices and competitive bids from others. Consumer sovereignty therefore is a denial of economic autonomy. The market is indeed a social institution.

Man is a creature before God. Each man is a steward who is fully responsible before God for the use of every resource entrusted to him (Lk. 16:1-13) precisely because God is the owner of all resources, including men (Ps. 24:1). Man is not an autonomous creator, but a dependent creature. Intellectual defenses of the free market that are based on the hypothetical ontological autonomy of man are erroneous. The market points to this non-autonomy of man, for it reminds men of their limits in a world of scarcity. Unlike God, they cannot have everything they want when they want it at zero (opportunity) cost. They have opportunity costs imposed upon them by other men, who are made in the image of God. By affirming the rights of the one (the legal owner), the market society simultaneously affirms the right of the many (other owners) to offer bids (impose opportunity costs) on any other owner. The market is a superb institution for the reconciling and dovetailing of each man's calling before (or in defiance of) God. It encourages rebellious men to cooperate in economic production. It forces them to bear the costs of the self-proclaimed autonomy of economically unproductive autarky — the hermit economy.

Cliches of Christian Socialism or Pietism

One of the most successful books on the free market that I have ever seen is *Cliches of Socialism*, published by the Foundation for Economic Education, Irvington-on-Hudson, New York, 10533. They keep it in print because it has proven so effective for so many years. The book lists 76 cliches, such as "The free market ignores the poor," or "Human rights are more important than property rights." Each cliche receives a two or three page simple answer. The book is designed to provide the reader with an adequate understanding of the errors in logic of socialist economics. The answers are not cliches, but at the same time they are not comprehensive treatises. People do have time to read them.

I have been thinking of two possible publishing projects that would be modeled along the lines established by FEE's little book. One would be called *Cliches of Christian Socialism*, and the other, *Cliches of Christian Pietism*. I am not sure which would be most timely, though I suspect the latter.

Are there certain recurring phrases that nearly drive you crazy? Do critics of what you are doing, or what you believe in, keep challenging you with half-baked slogans, or biblical quotes, that are supposed to silence you or get you "back on the track"? Do they hit you with such classics as these: "The Bible doesn't support any economic system," or "Politics and religion don't mix," or "The free market is opposed to Christian ethics," or "The Bible teaches that you don't polish brass on a sinking ship"? Would you like to have an easily read, biblically based handbook of answers to these familiar

slogans? That's what I'm proposing.

We need some cooperation. We need people to sit down and make a list of some of these cliches. Every time you hear one or read one, jot it down. Put it on a note card, or on some other paper that won't get tossed out, and then send it to:

Cliches
Institute for Christian Economics
713 W. Cornwallis
Durham, NC 27707

If your denominational magazine produces articles that are basically slogans, clip them out, note their source, and send them along. We could build up a nice file of these "doozies." If an editorial appears in the local newspaper which drags Christianity or the Bible into some socialist project, do the same with it. Clip it out and send it to I.C.E. On the other hand, if you happen to come across some sensible refutation of a Christian cliche, send it along, too. I am so determined to collect a file full of such nonsense that I have decided finally to subscribe to both *Christianity Today* and *Eternity*. In the past, I have just not wanted to keep such materials around where my kids might discover them. (Someone who has a back file of these journals could have a field day. Let me encourage you.)

If anyone wants to write his own answer to some cliche, 1,000 to 2,000 words in length, we will consider publishing it. Send along a copy.

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