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### **Mises and Montaigne: A Comment**

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Ludwig von Mises (1881-1973) baptized the idea that the gain of some is caused by the loss of others as the "Montaigne dogma." Mises considered the fallacy to be very widespread and sufficiently noteworthy that he devoted chapter 24 of his magnum opus *Human Action* to refuting the idea. Casto Martín Montero Kuscevic and Marco Antonio del Río Rivera (2015) discuss Mises' refutation of Montaigne's dogma and claim that he misinterpreted Montaigne on fundamental grounds. They make the further claim that Mises misattributed the dogma to Montaigne. In this short response, we assess their argument to demonstrate that a more

complete reading of Mises's arguments vindicate both his identification and criticisms of the Montaigne dogma.

Montaigne's brief chapter 21 of his *Essays* is titled "Le profit de l'un est dommage de l'autre" (The profit of one man is the damage of another). The chapter begins:

Demades, the Athenian...condemned one of his city, whose trade it was to sell the necessaries for funeral ceremonies, upon pretence that he demanded unreasonable profits and that that profit could not accrue to him, but by the death of a great number of people. A judgment that appears to be ill grounded, forasmuch as no profit whatever can possibly be made but at the expense of another, and that by the same rule he should condemn all gain of what kind so ever. The merchant only thrives by the debauchery of youth, the husband man by the dearness of grain, the architect by the ruin of buildings, lawyers and officers of justice by the suits and contentions of men: nay, even the honour and office of divines are derived from our death and vices. (Vol. 3, pp. 112-13)

It is the sweeping and general statement that "no profit whatever can possibly be made but at the expense of another" that is the heart of Montaigne's dogma.<sup>1</sup> In a section cited by Montero Kuscevic and del Río Rivera, Ludwig von Mises writes that:

[t]he changes in the data whose reiterated emergence prevents the economic system from turning into an evenly rotating economy and produces again and again entrepreneurial profit and loss are favorable to some members of society and unfavorable to others. Hence, people concluded, *the gain of one man is the damage of another; no man profits but by the loss of others*. This dogma was already advanced

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<sup>1</sup> The Montaigne dogma lies at the heart of mercantilism (Mises 1949, p. 660; Rothbard 2006, p. 203). Benegas Lynch (1981, pp. 275-303) refers to this dogma in the field of international relations. Montero Kuscevic and del Río Rivera are correct, however, that the dogma is the basis of many types of socialism.

by some ancient authors. Among modern writers Montaigne was the first to restate it; we may fairly call it the *Montaigne dogma*. (1949, p. 660)

Montero Kuscevic and del Río Rivera argue that by imputing the dogma to Montaigne, Mises committed one injustice and made two mistakes.

The first alleged mistake of Mises was not taking into account the time in which Montaigne lived. Montaigne lived from 1533-1588, a violent time. Knecht (2002, p. 91) estimates that two to four million French citizens died during the country's Wars of Religion of 1562-98. During Montaigne's time, life had little value, there was no concept of equality under the law and the Industrial Revolution had not yet begun. Montero Kuscevic and del Río Rivera (pp. 339-40) maintain that in the hierarchical society that Montaigne lived in "it was quite normal to think that the wealth of the powerful was based on the poverty of their subjects." There are several problems with this line of argument.

First, Montero Kuscevic and del Río Rivera interpret the historical context as being favorable to their argument and maintain that Mises did not take into account that life had little value in Montaigne's time. Presumably Montero Kuscevic and del Río Rivera object that Mises mistakenly applied the standards of his time to Montaigne's. However, Mises did not exactly live in trouble-free times either. He lived through the two World Wars, which were also very violent and cruel.<sup>2</sup> In other ways, Montaigne's time was actually much more civilized than Montero Kuscevic and del Río Rivera give credit to. The idea of equality under the law had been known since ancient times, something that would not have been hidden to a classical scholar such as Montaigne. Indeed, the first public announcement of the idea was made in 431 BCE by Pericles: "If we look to the laws, they afford equal justice to all in their private differences; if no social standing, advancement in public life falls to reputation for

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<sup>2</sup> Mises was affected personally by this difficult period of European history. He served as a front officer in the Austro-Hungarian artillery during World War I and, as a Jew, fled the advancing German army for the United States in 1940.

capacity, class considerations not being allowed to interfere with merit; nor again does poverty bar the way” (Thucydides 1874). Furthermore, while capitalism had not fully developed, the first fairs in France, among them the famous Champagne Fairs, were well-organized by the start of the 12th century (Milgrom *et al.* 1990). In short, there were well-developed markets and plenty of voluntary exchanges in Montaigne’s time. The times during which Montaigne lived were, in many important ways, not so different to Mises’s as Montero Kuscevic and del Río Rivera suppose.<sup>3</sup>

Second, Montaigne is not talking about the “wealth of the powerful” and the “poverty of their subjects” but rather of profit (or gain) and loss, which are not analogous concepts. Profit or gain has no univocal relation to material wealth. Consider a billionaire who transfers a large part of his wealth to a private foundation in exchange for voting rights, or even as an act of philanthropy. His wealth will be reduced but he will have earned an entrepreneurial profit, e.g., through prestige or from the esteem of his fellow citizens.

Third, and most importantly, it seems that Montero Kuscevic and del Río Rivera want to maintain that Montaigne only wanted to apply his “dogma” to instances where someone applies violence to oppress others, i.e., involuntary exchanges. This interpretation is quite dubious. In his examples, Montaigne almost exclusively refers to voluntary exchanges. He invokes cases involving merchants, architects, physicians, and lawyers, all civil professions. The only case that can be interpreted as violent in nature is the one involving a soldier. Even in this example is it not clear that this is an oppressive relationship as this form of violence can be explained as self-defense or as an important service sold on the market. Most importantly, Montaigne’s statement that “the profit of one man is the damage of another” is universal. It clearly applies to all exchanges, voluntary and involuntary. Mises

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<sup>3</sup> In any case, even if one agreed that Montaigne’s times were less civil than Mises’s, his particular life was not. Born to a wealthy family, Montaigne studied at the prestigious Collège de Guyenne boarding school in Bordeaux. Notwithstanding the turbulent times that Montaigne lived, he was respected by both the Catholic King Henry III and the Protestant Henry of Navarre. Mises too was born of a wealthy family, though he was forced to live in direct contact with the conflicts of his time (see footnote 2 above).

acknowledges that Montaigne is correct even for some voluntary exchanges, and uses the example of new money being introduced into the economy claiming that Cantillon effects will benefit some at the cost of others (Mises 1949, p. 660). When new gold was mined during the gold standard, those who spent it took advantage of existing prices which were then increased, thus imposing an increased cost on later recipients. All transactions are voluntary.<sup>4</sup>

Mises confines his criticisms of Montaigne's claim to the context of voluntary exchanges, namely in the market economy. Chapter 24 of *Human Action* is from the 4<sup>th</sup> section of the book, which bears the title "Catalactis or Economics of the Market Society". Following the quotation provided by Montero Kusevic and del Río Rivera (cited earlier) Mises writes (p. 660-61):

What produces a man's profit in the course of affairs within an unhampered market society is not his fellow citizen's plight and distress, but the fact that he alleviates or entirely removes what causes his fellow citizen's feeling of unhappiness... There are in the market economy no conflicts between the interests of the buyers and sellers.

Mises clearly agrees with Montaigne in regard with involuntary exchanges:

The statement that one man's boon is the other man's damage is valid with regard to robbery, war, and booty. The robber's plunder is the damage of the despoiled victim.

But war and commerce are two different things. (p. 662)

Montaigne's fault was precisely to believe that in war and commerce one man's gain is another man's loss. In contrast Mises clearly distinguishes between the two, and relates

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<sup>4</sup> In a fiat standard one could claim that the introduction of new money involves an involuntary exchange. The demand for fiat money is enforced by legal tender laws and the government's powers of taxation coerce individuals and businesses to acquire its currency. Moreover, the supply of base money under a fiat regime is typically granted to a state-sanctioned monopolist, the central bank. The introduction of new fiat money involves a similar type of redistribution as in a gold standard although in the former case we are arguably not faced with voluntary exchanges in a free market since fiat money is supported by the coercive powers of government.

Montaigne's dogma exclusively to voluntary exchanges. Changes caused "by force and fraud" (Montero Kuscevic and del Río Rivera, p. 337) are outside the context Mises is discussing.

Montero Kuscevic and del Río Rivera do not distinguish clearly between acts of war and commerce. Montaigne's claim holds in war settings. As Montero Kuscevic and del Río Rivera correctly point out, Rome's victory is Carthage's loss. Beside the example of Rome and Carthage, Montero Kuscevic and del Río Rivera provide other apt examples of situations in which one individual's gain is another's loss, e.g., in court one party wins at the cost of the other, and in sports the winner's gain is the others' loss.

Courts and sports are voluntary exchanges that form part of an unhampered market. If Montero Kuscevic and del Río Rivera are correct, these examples would show that Montaigne's dogma could be applied equally well to such exchanges. Yet, one has to distinguish between ex ante and ex post evaluations. Ex post an actor may always demonstrate that any action or exchange has created a loss. Ex ante, however, all parties to voluntary exchanges expect to benefit. As Mises (1949, p. 662) puts it: "If both the buyer and the seller were not to consider the transaction as the most advantageous action they could choose under the prevailing conditions, they would not enter into the deal."

Therefore, Montaigne's dogma is misapplied even in cases such as sports and courts. People go to court because they prefer the judicial settlement of their conflicts to alternatives.<sup>5</sup> Similarly, individuals participate in sporting events because they prefer to play even if they may not be declared victor. Their choice is between participating and not participating. If they prefer to participate, they demonstrate by their action that they expect to gain. (Later, they may regret their action but this is beside the point.)

Montero Kuscevic and del Río Rivera try to defend Montaigne by claiming that human life not only involves transformation of nature but often also the destruction of other

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<sup>5</sup> Alternatively, the defendant is obliged to go to court at the will of the accuser, in which case we would no longer be faced with a voluntary transaction.

forms of life. As Montaigne puts it: “the birth, nourishment, and increase of every thing is the dissolution and corruption of another” (1877, p. 113).

It is true that the cutting down of trees to build houses and killing animals to satisfy hunger or to make clothes implies the killing of living beings (Montero Kuscevic and del Río Rivera, p. 339). But these lives are not of humans, but of plants and animals. If Montaigne has stated that “one man’s gain, is sometimes an animal’s or a tree’s loss”, we could have all agreed. The point is that Montaigne’s statement refers to human interaction in all possible circumstances.<sup>6</sup> He never does, nor does he intend to refer to animals or plants.

Mises would indeed have disagreed with Montero Kuscevic and del Río Rivera’s statement in support of Montaigne, that “[i]n short, all production is, in some sense, a destruction of the natural world, although this destruction is also part of nature” (p. 339). From the human perspective, “production is creative” not destructive (Mises 1949, p. 141). Production transforms “the original factors – both human and nonhuman – into means” (Mises 1998, p. 142). It may be a negative view on production that has caused Montero Kuscevic and del Río Rivera and others to believe that Montaigne’s dogma holds sometimes in the unhampered economy.

In short, Montaigne’s statement applies exclusively to interpersonal exchanges. Mises takes issue only with Montaigne’s belief that in voluntary exchanges one gains at the expense of another and terms this error the Montaigne dogma. There seems to be no misinterpretation of Montaigne’s core tenets from Mises’ side.

As for the second alleged misinterpretation by Mises, Montero Kuscevic and del Río Rivera write:

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<sup>6</sup> Schaefer points out that Montaigne’s work is a “portrait of *human* nature in general” (1983, p. 286, emphasis added).



The second mistake made by Mises had to do with his training. Mises was basically an economist... He interpreted the gain (or profit) in a monetary-economic sense, even though the text of Montaigne uses the word 'gain' in a much broader perspective to mean prestige, honor, power, and influence. As an economist, Mises was mainly concerned with the creation of wealth, and interpreted the phrase '*the gain of one man is the damage of another*' in a strictly economic sense. (p. 340)

Mises studied law and government science in Vienna at the turn of the 20<sup>th</sup> century.<sup>7</sup> His academic training was much broader and more interdisciplinary than what is offered in a typical economics degree today, which may indeed regard profit narrowly as only monetary in nature.<sup>8</sup> Mises was a social scientist. He wrote on epistemology, methodology, sociology, law, history and, most commonly, praxeology, the general theory of human action. He considered economics to be the “hitherto best-developed branch” of praxeology (1949, p. 881). He was not a narrow-minded economist looking only at monetary exchanges and wealth creation, as Montero Kuscevic and del Río Rivera suggest.

Moreover, Mises refers not to monetary profits, but to “entrepreneurial profit and loss” (1949, p. 660). For Mises, “[p]rofit, in a broader sense, is the gain derived from action; it is the increase in satisfaction (decrease in uneasiness) brought about... To make profit is invariably the aim sought by any action” (*ibid.*, p. 286). Furthermore, entrepreneurial profit for Mises is not restricted to “strictly economic” actions, as Montero Kuscevic and del Río Rivera seem to believe, but applies to all human actions; Profit is not just a monetary or economic phenomenon. For Mises “[p]rofit and loss in this original sense are psychic phenomena...” (*ibid.*, p. 287). In all voluntary exchanges both parties expect to “profit” (i.e.,

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<sup>7</sup> For the most extensive biography of Mises, see Hülsmann (2007).

<sup>8</sup> Though it would be only the poor student of economics who would make this mistake. The distinction between accounting profits reckoned in monetary terms and economic profits involving opportunity costs is stressed in all leading introductory textbooks (e.g., Mankiw 1998, p. 272; Varian 1987, p. 346).

benefit) ex ante. Exchanges are mutually beneficial in a psychic sense. It is from this theoretical background that Mises takes issue with Montaigne who believes voluntary exchanges represent a zero-sum game: the gain of one must be the loss of another.

### **Final Remarks**

Mises is correct when he criticizes the belief that voluntary market transactions are a zero-sum game. He is also correct to attribute this belief to Montaigne and to term it the Montaigne dogma, since Montaigne believes that in all exchanges, voluntary or not, one party benefits at the cost of another. It is true as Montero Kuscevic and del Río Rivera point out that Montaigne is largely considered a skeptic and for a skeptic an absolute statement such as a dogma seems not to fit (p. 340), yet possible inconsistencies in Montaigne's writings are not Mises' fault.<sup>9</sup>

The Misesian concept of profit and loss is not a constrained monetary-economic notion, but rather a broader reaching psychic concept that applies to all human action. Mises interprets gain in a similar sense to Montaigne. It seems to us that in light of the evidence, Mises was not unfair to Montaigne but rather that Montero Kuscevic and del Río Rivera have been unfair to Mises.

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<sup>9</sup> It is also debatable whether Montaigne really was a skeptic (Zweig 1995, p. 14).

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