

ENTREPRENEURSHIP IN CONTEXT

1. EVERY AGENT IS AN ENTREPRENEUR

At the bottom of the page announcing this conference, you'll find a quote from the economist Ludwig von Mises (1881-1973): "In any changing world, all human action is speculation, and every actor is an entrepreneur." Mises developed what he called 'the science of praxeology' or 'the scientific analysis of human action'. For him, economics is merely a branch of that science. "Entrepreneurship" is a key concept of Mises's general analytical framework, not only of his economics. Theoretically "pure entrepreneurial action" consists in discovering or proposing a new way of achieving a goal, whatever that goal and whatever that way may be. Thus, there are entrepreneurs in all domains of human activity, not only in economics ("business"), but also in politics, crime, science, charity, entertainment, education, art, whatever. Jesus Christ was a pure entrepreneur, but so were the anonymous discoverers of the idea that violence, robbery, theft and deception are effective ways of getting what you want. Entrepreneurship is not necessarily a good, moral, lawful or beautiful thing. Please, keep that in mind.

Of course, proposing a new way of achieving a goal has little effect, unless someone decides to promote that idea and succeeds in getting people, himself or others, to invest resources (time, effort, materials, money) in implementing the proposal. Pure entrepreneurship must be complemented with promotion and investment. In ordinary speech, 'entrepreneur' means what Mises called 'an entrepreneur-promoter', i.e. someone who gathers and manages scarce resources for the purpose of implementing an entrepreneurial idea. Without Saul of Tarsus (Saint Paul), few would have known about Jesus. However, probably the best-known, most successful and most admired entrepreneurial promoters are "the great names of human history", the builders of political empires. Most of them were mass-murdering thugs. Other "great names" belong to the builders of financial empires, most of them racketeers who managed to transmute occasional acts of charitable giving into a permanent debt trap for the supposed beneficiaries. In any case, the entrepreneur-promoter assumes the risk of being unable to make the investments in his project pay off. He may lose his own investments and be unable to pay back the funds or resources others put at his disposal in the form of loans. However, he may have persuaded others to provide him with funds and resources "at their own risk", typically by promising them a share in his profits.

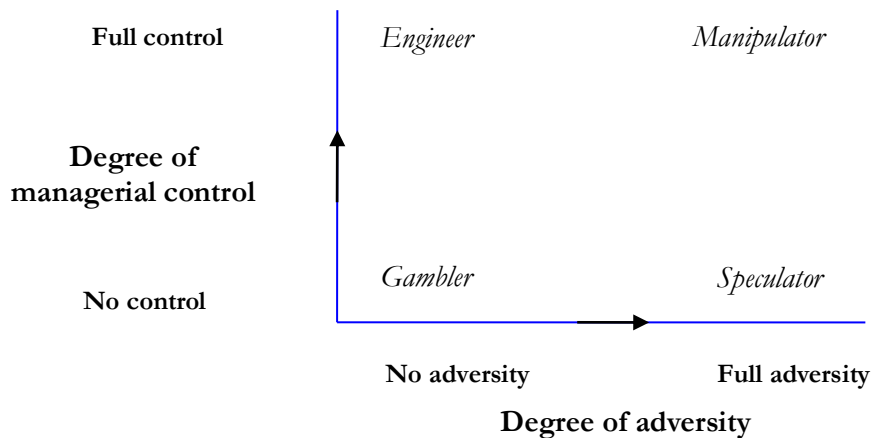
When speaking about economics, we think of entrepreneurial promoters and managers of businesses rather than "men of ideas". Two questions here: 1) What is management, understood as a praxeological or action-theoretic category? 2) What is a business?

1.1. Management

Managerial praxeology (the science of management) takes a manager's goals as given and assumes that, for him and to the extent of his autonomy, these goals are the ends that justify the means and methods he uses to reach his goals. A manager must be aware of the fact that, both within and outside his household ("an economy", e.g., farm, firm, organization), there are things over which he has [nearly] complete control, and other things over which he has less, little, even no control. He must also be aware of the fact that there are things that are not adverse to his plans and do not try to control him, and things (other people, maybe animals or even automated, computer-driven systems) that are more or less adverse to his plans and might even try to control him.

A manager must master four different modes of action, if he is to have a chance of successfully managing things over which he has more or less control and which might be more or less adverse to his plans. Those modes of action are engineering, manipulating, gambling and speculating (see the diagram below.) To avoid the pejorative connotations of 'manipulating', many prefer to speak euphemistically of social engineering. Gambling and speculating are studied in so-called 'game theory': Gambling occurs in "games against Nature". Nature is supposed not only impervious to human designs or purposes, but also sufficiently regular to attribute to it known or knowable odds or probabilities. Speculating occurs in "games against other purposive agents", i.e. against agents that, to the extent of their autonomy, are capable and likely to seek to pursue their own goals, or to thwart one's own efforts at goal achievement.

Obviously, as an engineer, a manager will seek to have the fullest possible control over the means of action at his disposal and other factors that might affect them, so that he will be able to reduce his having to gamble on being lucky in dealing with natural events (accidents or forces over which he has no control). As a manipulator, he will also seek to reduce his having to speculate on the actions of people – both within and outside his household or business (servants; competitors, rivals, enemies) – who might not be inclined to go along spontaneously with his plans or even might oppose them. The managerial ideal is, therefore, total control not only of the means of action within his household but also of its environment, to the extent that it might affect the successful completion of his planned actions. Ultimately, the managerial ideal is the ability and opportunity to act, i.e. to implement his plans, without any constraint or opposition. Of course (and fortunately for the rest of us), this ideal will remain almost always out of reach—but then, even managers can dream, can't they?



External effects

Leaving games against Nature aside, managers of households have to deal with situations in which adversity is a more or less prominent feature, if not within their household then certainly in its environment. The reason for this is that pesky phenomenon known as “external effects”. On the one hand, a manager's management of his household may have – indeed, is often intended to have – external effects on its environment. On the other hand, how others manage their households may have effects on his household. E.g., an employee of a firm is usually a householder in his on right, or else a member of a household that is not a part of the firm. Certainly, other firms may act in ways that drastically change the environment in which the manager of a firm has to operate.

There are two sorts of external effects: positive and negative. Often, an action has negative external effects for some outsiders but positive external effects for others. Positive external effects are potential sources of cooperation or “good will”. Negative external effects are potential sources of conflict. Dealing with conflicts (with others and among others) is a significant part of a manager's *métier*.

It is a main function of law to minimize negative external effects. However, societies have no strong incentive to internalize the costs of doing so, i.e. of compensating the victims of the external effects of societal actions. To the contrary, they pay high fees to consultants who teach them how to cut costs by externalizing costs (i.e. letting outsiders bear the costs), also to make outsiders pay for positive effects.

EXTERNAL EFFECTS OF MANAGERIAL ACTION				
TYPE	Definition	Potential cause of	Function of law	
Positive	Outsiders benefit without paying	Cooperation	Toleration	(No action)
Negative	Some costs shifted onto outsiders	Conflict	Minimize negative effects	Prevention, Remedies

1.2. Businesses and other societies

All societies, including businesses, are formed to seek profit. Businesses typically seek profit, mainly (even exclusively) profit in the form of financial gain (more money, greater credit facilities). However, financial gain is only one form of profit. Gains in force or influence are alternative forms of profit. Money, force and influence are means of power. People organize societies to gain more power or wealth (in Dutch, both are called '*vermogen*'). It can be power over nature or other people.

Genesis

As to the genesis of societies, we must distinguish between bottom-up and top-down organizations. The former result from people's discovery and implementation of a scheme for coordinating their activities to the benefit of all of them. The people come first and the organizational scheme is intended to make the best use of their individual talents. Traditional family-run small businesses are good examples; so are business partnerships of people who know each other well. Top-down societies are different. They originate as organizational schemes. Only later begins the search for suitable personnel with which to man the various societal positions in the chosen scheme.

GENESIS OF SOCIETIES			
TYPE OF SOCIETY			
BOTTOM-UP	People first, organization second	Society in the service of its members	<i>Make the mask fit the face</i>
TOP-DOWN	Organization first, people second	Membership dependent on service to society	<i>Make the face fit the mask</i>

Presumably, bottom-up societies were the original societal form. However, they are unstable, mostly because deaths, illnesses, quarrels and accidents may oblige them to seek suitable outsiders to fill positions vacated by a former insider. Today, top-down societies dominate the business landscape. This is the result not only of the instability of bottom-up societies, but also of the political and ideological devaluation of families and traditional communities, in particular the shift in emphasis from education (which prepares for life in community with others) toward schooling (which prepares for the labour market).

Hierarchy

The simplest societal organizations involve only two levels: **Top** (*the boss or bosses*) and **Bottom** (*all other members*). Examples are nuclear families (*parents, children*), very small, owner-managed businesses (*boss, a few employees or apprentices*), small criminal gangs, youth gangs. Think of these as proto-societies.

Usually, one speaks of a society only if there are at least three levels: **Top** (*top managers, CEOs*), **Middle** (*middle management*) and **Bottom** (*employees*). In a society, the top managers are its "public members"; the people of the lowest rank, at the bottom of the societal hierarchy are its "private members"—they are called 'private' because they are deprived of any commanding or decision-making authority concerning societal actions. Think "private soldiers", "private citizens". Medium-sized societies or businesses typically have only three levels. Large societies may have any number of levels – e.g., in an army: generals, brigadier-generals, colonels, majors, captains, lieutenants, sergeant-majors, sergeants, corporals and privates.

SOCIETAL HIERARCHY OF POSITIONS (Command → Obedient execution)		
(Individual agents)	1 level	Top = Bottom (self-employed professionals)
SMALL / PROTO-SOCIETIES	2 levels	TOP: <i>Bosses – Parents</i> BOTTOM: <i>Workers / Employees – Children</i>
MEDIUM-SIZED SOCIETIES	3 levels	TOP: <i>Chief executive officers</i> MIDDLE: <i>Sub-managers</i> BOTTOM: <i>Workers / Employees</i>
MULTI-LEVEL SOCIETIES	3+ levels	TOP: <i>Chief executive officers</i> MIDDLE: <i>Sub-managers, Sub-sub-managers (etc.)</i> BOTTOM: <i>Foremen, Workers / Employees</i>

Purpose

Most small and medium-sized societies are single-purpose organizations. They exist and are organized to produce a specific product (a good, service or event). They do so by gathering and managing sufficient means of action (resources) needed or useful for producing their specific product. Some diversify their activities and reorganize as multiple-purpose organizations. This is also true for many multi-level organizations.

However, there are also general-purpose organizations. Their primary business is to gather and manage as large a quantity as possible of general-purpose means of action, which can be deployed for a wide variety of purposes. The general name for such means of action is 'power', i.e. control of huge amounts of money (or credit), physical force (or useful energy), and information. As Julius Caesar put it: "With money I buy men; with men I take money." In his day, information was not yet as much of a power asset as it is today.

TYPE OF SOCIETY	PURPOSE: to seek increased profit (power) from producing for their own use or for sale to others	TYPES OF PRODUCT
General-purpose	one or more general means of action	Money (credit) Force (manpower, useful energy) Information (influence)
Multi-purpose	a few types of product	Consumer goods (food, clothing, toys, etc.) Intermediate goods (tools, prepared/refined materials)
Single-purpose	a single type of product	

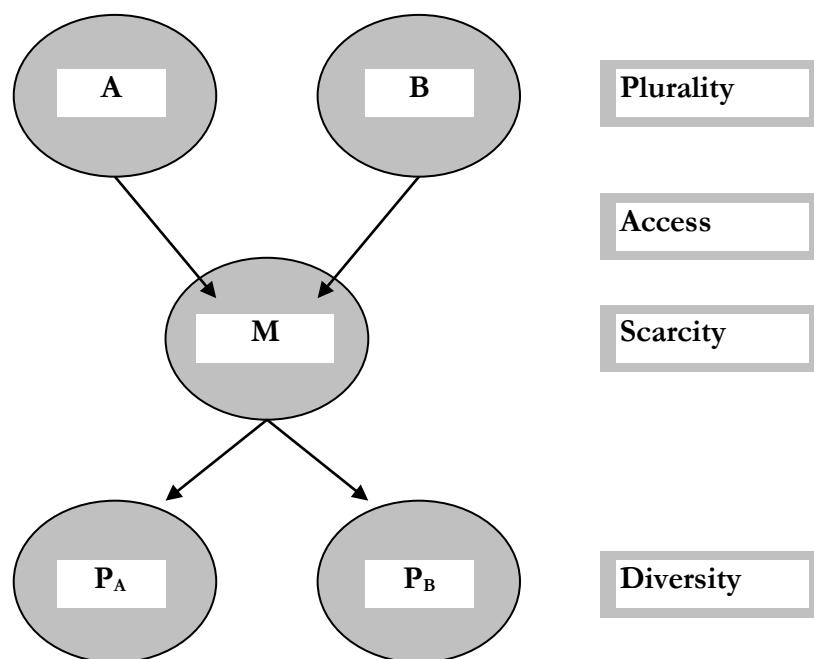
2. CONFLICTS IN CONTEXT

The predicament of human co-existence, the problem that prompts inquiries into the order or law of the world, is the fact that the world is filled to the brim with interpersonal conflicts, which are conditions of confusion and disorder. Most are potential or latent conflicts, but far too many are actual conflicts, which are triggered, wilfully or inadvertently, by the actions of one or other person or party. Fomenting and initiating wars are the worst ways of generating or trying to resolve conflicts. However, there are other, non-violent means or methods of depriving others of their independence of action, e.g., exerting extortionate pressure in the form of bribes or threats, even creating conditions of permanent duress for others or their families, friends or other associates, also continual harassment, deception, propaganda, etc.. Exploiting opportunities for eliminating others or gaining control of their lives, properties, thoughts, affections and actions is a peculiar human talent but, like the opportunities for exercising it, it is unevenly distributed.

2.1. Causes

Leaving aside the specific causes (triggers) of particular actual conflicts, we can identify four individually necessary and jointly sufficient causes for the existence of interpersonal conflict situations:

- **[Plurality]** The presence of two or more persons or groups or organizations of persons ($A, B \dots$) taking decisions and acting on them independently of one another; and
- **[Diversity]** the existence of different opinions, preferences, values, goals, purposes etc. ($P_A, P_B \dots$) among those persons
- **[Scarcity]** about the use to be made of a scarce means or resource (M),
- **[Free access]** to which those persons have access.



In the context of this discussion, “scarcity” relates only to means of action. No natural object or resource is a means of action until a person discovers a use for it and appropriates it (i.e. starts using it purposefully). From this, it follows that all scarce means of action enter the world as belonging to – i.e. as the property of – one or other person. It does not follow that the mere act of purposefully using a natural object results in ownership, i.e. in a right to do with that object what one wants or to exclude all others from accessing it. Purposeful use may confer on the first user a *ius utendi* (Dutch *gebruiksrecht*) and a *ius fruendi* (*recht van vruchtgebruik*), without conferring a *ius abutendi* (*ongelimiteerd beschikkingsrecht*).

Note that natural persons are scarce resources. Their physical and mental powers, skills, opinions, affections and character traits are useful or valuable not only to themselves but often also to others. What is primarily at stake in many conflicts is control (at least effective influence) over what other people do, say, think, how they feel. Arguably, such control over persons, be they allies or opponents in a conflict or mere bystanders, is almost always at least a secondary goal of the actions of the parties to a conflict, if it is not their primary goal.

Paradigmatic cases of interpersonal conflicts are conflicts between one natural person and another. However, it is possible and indeed common to extend the logical analysis of interpersonal conflicts analogically to conflicts between groupings of persons (e.g., conflicts among states, other societies such as organizations or companies, their departments and associations; among communities, diverse factions or movements within each of these; also conflicts between communities and societies, and between a natural person and one of those groupings).

2.2. Cures

Obviously, the disappearance of a single necessary cause for the existence of an effect means the disappearance of the effect itself. Hence, there are four logical types of solutions of conflicts and four corresponding exemplifying phenomenal (“sociological”) types of order in human affairs:

- 1) **Unity** (eliminating plurality): the persons involved in the situation are all made subject to the decisions and commands of one of them. This type of solution is exemplified in the command-based order of a *society* (Dutch *maatschappij*). Accordingly, the centre legally entitles itself not only to receive and distribute the benefits of all societal actions but also to distribute their costs among the society's members. It is also entitles itself to regulate internal matters of responsibility, accountability and liability: Who must answer to whom? Internally, freedom is the right to do what the centre commands or permits one to do.

As a type of order (law), societal unity implies that, as far as outsiders are concerned, only the command centre of a society is ultimately to blame or to praise, or to be held answerable for everything that happens in the society. All law is “public law”.

- 2) **Consensus** (eliminating diversity): all the persons involved basically agree on the right use of the scarce means to which they all have access. This type of solution is exemplified in the custom-based order of a *community* (Dutch *gemeenschap*). Members are answerable to each other.

As a type of law, communal consensus implies that members enjoy immunity only for actions that evidently comply with the foundational consensus—such actions are their communal right under the communal law—but not for actions of questionable validity, a fortiori for blatant infractions of the community consensus. Except with respect to such infractions, all law is “private law”.

- 3) **Abundance** (eliminating scarcity): whatever it is a person does, it imposes no costs, even opportunity costs, on any person, himself or another. Abundance is the only solution that requires no restriction of access to scarce resources. This type of solution is exemplified (albeit only in literary form) in *paradisal* or *utopian conditions*. It implies that no one is responsible or liable for any adverse effects of his actions, because, by the definition of ‘abundance’, there are no adverse effects. If there is a law in paradise or in utopia, it confers unlimited rights and total immunity—as some put it: unlimited freedom.

- 4) **Property** (eliminating free access): each person's unilateral access to resources is restricted to those that do not already belong to another. This type of solution is exemplified in the *convivial order* (Dutch *samenleving*) of people who intend to live in harmony and peace with each other, regardless of their differences.

As a type of law, convivial order implies that every person is presumed free to use his property, yet personally answerable and liable to others who experience or fear serious adverse effects of his actions. Answerability and liability are logically inseparable from this freedom-restricted-by-the-freedom-of-others. In that sense, all law is private law. However, just which things should count as a person's property and which external effects of his uses of his property should count as serious violations of other people's properties or freedom are questions that cannot be answered merely by referring to the principle that Restricted Access or Property is a cure for interpersonal conflict. Still, conviviality implies willingness to settle conflicts amicably.

The discovery of the law of universal conviviality (the Natural Law) was the great intellectual achievement of medieval Catholic Christianity, which posited Christian love (*caritas*) as the supreme virtue. However, it ran into vigorous opposition, not so much from communities (which it tended to strengthen, even if it challenged many of their traditional customs and the authority of community leaders whose prestige rested primarily on those customs), but mainly from societies, which above all prize efficacy and efficiency in pursuing the goals set by the managers, whatever those goals may be.

Type of order (law)	Phenomenal type	Orientation	Characteristic mode of interaction
Unity	Society	Vertical <i>Hierarchy of positions</i>	Command-obedience <i>(appeal to authority)</i>
Consensus	Community	Horizontal <i>Equality under the communal law</i>	Negotiation <i>(harmonizing interests)</i> Argumentation <i>(appeal to conscience)</i>
Property	Conviviality	Horizontal <i>Equality under the Natural Law</i>	

Note that in Community and Conviviality, people participate “in person”. Not so in Society, where they participate only as occupants of a social position. Their societal rights and obligations attach not to their person but to their societal positions. In a society, people as such have no rights. At least in theory, but increasingly also in practice, they can be replaced with machines and robots. Thus, the

concept “Society” covers the possibility of fully-automated societies. Indeed, many societal bosses in political no less than in business societies are very much interested in getting rid of the fickle human factor by implementing schemes of automation, not only for producing and delivering goods and services but also for surveilling and policing employees, debtors and customers. The de-humanization of society is now a distinct possibility. During the Age of Liberalism (nineteenth century), states tried to retain many features of the communal way of life, but these have almost all been obliterated in our Age of Post-liberalism.

Meta-conflicts

Failure to reach any of the four solutions mentioned above means that the conflict situation continues to exist, may get worse and erupt in violent and destructive confrontations. These are magnified if we transcend strictly interpersonal conflicts and consider inter-group conflicts and conflicts that involve entire communities or societies, in particular, armed societies (criminal gangs, states).

There is no guarantee that people agree on any one of these types as being the best, even when they agree on the definition of the conflict, i.e. on the identity, properties, powers and other characteristics of the parties and the contested resources. There always remains the possibility of “meta-conflicts” about the nature of the particular conflict situation that is being considered. The parties to a conflict may still come up with different solutions, stressing one or another pure type of solution or a particular mix of two or more of them. People are likely to disagree on the costs of implementing a proposed solution relative to other proposals. Even if they agree on its costs, they may disagree on the way these costs are distributed among them.

People involved in conflict resolution (rulers, judges, lawyers, priests, mediators, diplomats, conflict managers, also community leaders and governors or directors of societies) ought to have not only a thorough understanding of the various types of order but also sufficient knowledge of actual conditions and a good “feel” for what will work or not work in those conditions. Conflict resolution is not a purely theoretical, let alone academic matter. It is not a matter of mechanically or bureaucratically applying rules but of judgment and practical wisdom.

2.3. Enforcing the law

It is probably true that most problems occur among persons within a particular society or community, but often the most dramatic and tragic conflicts involve several societies and communities facing one another as rivals or even enemies. Within a particular grouping or collective (society, community) interpersonal conflicts are at least partly mitigated by referring to prevailing ideas about the right order or law (the legal system of a society, the customary law of a community).

Typically, societies and communities have their own ways and institutions for enforcing their law on their members. In societies, the production, maintenance and enforcement of the legal system are the primary tasks of the societal management, directorate or government. Societies are held together by government-imposed systems of command-and-obedience relationships, the purpose of which is to “socialize” or “domesticate” individual members, i.e. to make them accept whatever the directorate commands or authorizes; to make them identify with and internalize the job description that comes with their position in the societal hierarchy. As far as societal activities are concerned, governmental commands override rules and prescriptions from all other sources. The primary societal virtue is efficient efficacy in attaining the goals for which a society is organized.

In communities, there may be leaders who function as exemplars to be emulated by the other members, but there are no directors—there is no government. Enforcement of traditional, customary communal law is basically left to the private households of the members the community. Private households are supposed to share in a traditional moral consensus on what is right and proper, also where questions of punishment are concerned. This consensus rests ultimately on prevailing shared practices of education, by means of which private households inculcate respect for the law in their members, especially the young. It is a cultural far more than a legal phenomenon. The primary communal virtue is reciprocal trust: “Trust thy neighbours as you want them to trust you.”

Of course, where conflicts between [members of] different groupings or collectives are concerned, it is beside the point to refer to the legal or the customary order of this or that society or community as the common law to which the parties can appeal in seeing to resolve their conflict. Such conflicts can be

solved lawfully only by an appeal to the law of conviviality, which deals with relations among persons, regardless of their membership in one or other community or society. This law used to be called ‘the Natural Law of the world’. It presupposes that there is such a thing as an all-encompassing human community, of which all human persons are presumed members, and a universally shared conscience. Its primary virtue is reciprocal respect: “Respect others as you would want them to respect you.”

Considered as a community, humanity has no government, no directorate. It has to rely on education for propagating a culture or ethic of conviviality, i.e. high esteem for freedom, friendship and peace (Dutch *vrijheid*, *vriendschap* and *vrede*¹) as the sources of joyful living (*levensvreugde*).

	Law enforcement (Sanctions)			
Order	Administration	Type	Extreme	Virtue
Societal	Centralized	Raising / lowering position	Dismissal	Efficacy
Communal	Decentralized	Raising / lowering reputation	Excommunication	Neighbourly trust
Convivial				Mutual respect

In societies and communities, other types of sanctions may be inflicted, either by the societal directorate or by the general assembly of the members of community (a “popular jury”): corporeal punishment (in communities and societies); imprisonment, confiscation of goods (in societies). However, by the end of the 18th century, the right to inflict such punishments was effectively monopolized by the states. In convivial orders, only in self-defence is the use of violence, force or deception justifiable.

3. ENTREPRENEURSHIP, MARKETS, AND THE LAW

As to their internal structure, businesses are organized, societal entities. However, the nature of running a business varies with the primary human environment in which it operates or in which it is embedded. The environment may be the convivial, the communal, or the societal type. A business may be embedded a larger society, in a community, or in a far more amorphous convivial order. As such it may be ruled by the customary law of a community, the legal system of a society, or the general laws of conviviality.

When societies are embedded in a larger society, as “private businesses” are embedded in a state or incorporated subsidiaries in a larger corporation, the larger society can easily use the smaller embedded societies as a tool for implementing its own policies, e.g. through licensing agreements, credit guarantees, other regulations. Think of the manner in which state governments used embedded private businesses (even shops and pubs) to force compliance with all kinds of madcap regulations on their employees and customers during the corona crisis of 2020-2022.

3.1. Markets

People in business often talk about “the market” as their primary environment. However, both in theory and in practice, the laws of the market differ markedly, depending on whether the market is under a convivial, communal or a societal law. The legal systems of societies are shot through with special privileges, immunities, burdens and liabilities attached to some but not to other societal positions. Equality of persons and households under the law—it is called ‘the Rule of Law’ in communal and convivial settings—is totally absent in societal contexts. In communal markets, sellers and buyers are generally have extensive, non-trivial personal knowledge of each other. Their reputation in the community depends on the reputations of their customers, suppliers and occasional investors.

On markets in large societies and on the so-called open market, buyers, sellers, and even investors, are likely to be complete strangers to one another. There, the operative principle is what the economist Philip Wicksteed more than a century ago called ‘non-tuism’—“I don't care who or what you are, as long as you deliver/pay what we agreed”. On those markets, people sell to or buy from criminals or governments as readily as they do to or from “ordinary people”. State-government contracts, especially, are highly coveted prizes for many businesses. Some businesses (e.g., in the armaments or surveillance industries) cater almost exclusively to the demands of state-governments or the directorate of big corporations. Think

¹ These words go back to the same proto-Indian-European root *priya (*what is proper, one's own, loved*).

about that whenever you hear indiscriminate eulogies of “the market”.

3.2. Law and the difference it makes

The principles of societal law (i.e. of legal systems) and the principles of communal and convivial law have been identified by the famous third-century Roman jurist Ulpian:

SOCIETAL LAW	
•	<i>Princeps legibus solutus est</i> (Digesta 1.3.31)
•	The boss is not bound to obey any command
•	<i>Quod principi placuit legis habet vigorem</i> (Digesta 1.4.1)
•	What pleases the boss has the force of law
COMMUNAL / CONVIVIAL LAW	
•	<i>Iustitia est constans et perpetua voluntas ius suum cuique tribuendi</i> (Digesta 1.1.10)
•	Justice is the constant and perpetual will to render to every person his due.
•	<i>Iuris praecepta sunt haec: Honeste vivere, alterum non laedere, suum cuique tribuere</i>
•	These are the precepts of law: Live in good faith, harm no one, give to each his own.
•	<i>Iuris prudentia est divinarum atque humanarum rerum notitia, iusti atque iniusti scientia</i>
•	Knowledge of law is knowledge of divine and human affairs, the science of what is just and what is unjust.

The difference between communal and convivial “law” on the one hand and societal “legal system” on the other hand is this: Law depends on people cultivating moral attitudes that predispose them to peaceful interaction and conflict resolution without denying each other's personal differences. Legal systems depend on people resigning themselves willy-nilly to obeying established societal authorities.

The difference between communal and convivial law is the difference between local opinions of what is sacred, holy or divine and what is truly, universally sacred, holy or divine; between knowledge of local gods and knowledge of God. It is the difference between shared subjective values (“what one likes”) and truly objective values (e.g., Personal integrity, Freedom from error, Truth, Logic, Justice, Peace, Love or *Caritas*). On that difference depend one's convictions about what is in any case “the right thing to do” and about what is in any case “not to be done”. The notion of the divine is now completely absent from courses in economics at all levels, including the university level. Nevertheless, it is of the utmost importance in assessing whether something is good, bad or evil – whether it contributes to civilization or to de-civilization. Neglecting it accounts for the widespread discontents with modernity and even more post-modernity. Paradoxically, abandoning objective values for subjective values is logically impossible. It merely makes “worldly success” the only objective value: “Anything goes (if you can get away with it).”

A good many, perhaps a vast majority of, men and women in the modern West seem to have convinced themselves that they no longer need gods or God – that whatever gods or God are supposed to do, they can do better. Of course, when they say “we can do better”, they mean “Some especially successful governors of political and business societies can do better”. Modern man rejects transcendent gods and replaces them with immanent gods. The immanent pantheon is now called ‘the Establishment’, the elite power holders in politics and business. Together with an assortment of lesser gods, celebrities of sports, entertainment, fashion and academia, they constitute the nobility (i.e. people known by name) of modern society.

This “immanentization” of the divine accounts for the decline of Community and Conviviality, and by implication of Law and Lawfulness (Dutch *Het Recht, rechtmatigheid*). It also accounts for ascendancy of Society, its Legal System (legal commands, rules and regulations – Dutch *De Wet, wettelijkheid*) – as the only robust form of orderly co-existence, even if it implies subordination of the many to the few. This has led to increasingly intensifying conflicts between what people think of as lawful (*rechtmatig*), and what they think of as legal (*wettelijk, wettig*) – even to the conviction that Law (*Recht*) is irrelevant, that in practice only the prevailing legal system (the commands of their societal superiors) needs to be taken into account.

4. ASCENDANCY OF THE INCORPORATED SOCIETAL FORM

Societies are essentially power tools of their owners. In a society, depending on its size, one mouth can move from a few to millions of other people. Therefore, as a rule, the owners are, or should be, held responsible and liable for what goes on in their society. However, while valuing the positive aspects of ownership (the ability to use their property, pocket the revenue it generates, and to dispose of it more or less as they want), owners prefer to diminish, even eliminate, the negative aspects of ownership (its responsibilities and liabilities). They like to take credit for successful societal actions and to avoid blame for failures; to assert their right to the profits and deny their obligation to bear the losses. Incorporation, i.e. making their society appear as a self-subsistent entity, allows them to separate their own assets (wealth) from their society's assets.

By incorporating their society, people may be able to deflect responsibility and liability for their own actions to their society, as if it were a separate agent. To the extent that incorporation succeeds, the owners are not burdened with the debts of their society, even though those debts resulted from their own decisions (or from decisions they authorized their managers to take). Creditors must sue the society and can only hope that the society has enough assets to satisfy their claims, regardless of how rich the owners are. Incorporation allows the owners to privatize the profit, while socializing the losses. The overall effect is the erosion of the ethics of personal responsibility.

Incorporation

Perhaps the most momentous invention that shaped the modern world was the invention of the anonymous society, first and foremost the anonymous political society (the state). It marked the transition from the medieval era of kingdoms to the modern era of states. The medieval king was a descendant and current head of one of the most ancient and prominent families of his tribe or community. As such he was presumed to know the communal law of his people better than they did. This made him their eminent ruler or supreme judge. However, as a ruler or judge, he had no power to govern any household but his own. Only in war or natural disasters did a king have governmental power over his subjects – and then only temporarily, for the duration of the crisis. This was also true of the king of the Franks, long before there was a king of France. Even William the Conqueror, who by “right of conquest” claimed as his own all the lands in conquered England, took care to present himself as the king of the Angli (English) rather than as the governor of the land and its inhabitants.

4.1. The State as an anonymous society

The nature of medieval kingship began to change after the Hundred Years' War (1337-1453), and especially in the so-called ‘Wars of Religion’ of the sixteenth and seventeenth century. One significant change occurred after the 1555 Treaty of Augsburg, which established the political principle *Cuius regio, eius religio* (“He who controls the land also controls the religion of its inhabitants”). However, the principle had been applied decades earlier, when Henry VIII of England declared himself Head of the Church in England. It made religion the proprietary tool of political power, the king the local vicar of God, and people subjects of whoever had power over the territory on which they lived. The king came to be seen as the divinely ordained personification of the people on his territorial domain: He represented them before God. As such, he alone was responsible only to God, while they were responsible only to him (because they lived and worked “in his house”). Thus, kingdoms ceased to be realms and became territorial estates (states). Kings became monarchs – not just judges, but also governors – and their subjects became servants.

That situation had not existed in Europe since the dissolution of the Western Roman Empire in 476. To make it palatable to people who, for a millenium, had been used to live and work as freemen, a new fiction was invented, viz. the fiction that the state was a society (an organization) that legally belonged to the anonymous people (the *principal*) but would be unable to act as a unity, unless the people accepted the monarch as their *agent* – an agent with *plena potestas* (exclusive power to choose the best way of representing the principal's interests) and even *plenitudo potestatis* (exclusive power to define the principal's interests). Supposedly acting in and on behalf of the people (now called ‘citizens’), the monarch was authorized to act as he wished, without being legally obligated to bear responsibility or liability for his actions. Ultimately, responsibility and liability rested with the anonymous citizens. That is

the origin and essence of the modern state as an anonymous society. The monarch acts, the citizens have to bear the consequences.

Eventually, having resigned themselves to being servants of a master, people began to clamour for the right to choose their master, their governors. After all, they had been told that they were the principals of the state and that the government of the state was their agent (and therefore, in a sense, their servant). In the nineteenth century, democratic movements gained traction. They did not change much, first, because it had been known for a long time “Let the people think they govern and they will be governed.”², and second, because by then state-serving intellectuals had come up with the idea that the state should be able to make the people it wants, mainly by replacing parents and local communities with state-controlled and state-provided “educational institutions”. That was a far-reaching application of the maxim *Divide et impera* (Divide and command). It aimed to separate children as much as possible from their parents, albeit not quite as radically as the Ottoman Turks had done. Starting in the fourteenth century, the Ottomans converted kidnapped Christian children to Islam and trained them to serve as an elite military force of *jannisaries* (who were instrumental in the Islamic conquest of Christian Constantinople in 1453). The system achieved some literary fame in George Orwell's *Animal Farm* (1945), in its depiction of how the pigs seized power over the farm by raising puppies as fierce attack dogs.

COMMUNITY			
Personality principle	King (<i>Primus inter pares</i>)	Ruler (judge) (<i>No governmental power</i>)	<i>Vox populi, vox dei</i>
SOCIETY			
Territorial principle	Monarchical state	Ruler, governor (<i>plena potestas</i>) (<i>plenitudo potestatis</i>)	The monarch personifies the state (apparatus of compulsion)
	Constitutional state		The government represents the citizens (the People) <i>No interference in management of private households</i>
	Managerial state		The government represents the citizens (the People) <i>Interference in management of private households</i>

4.2. Anonymous business societies (corporations)

In the nineteenth century, the idea of anonymous societies was extended to business combinations in the form of societies in which ownership was legally lodged in a possibly huge mass of anonymous holders of profit shares who could not be held legally accountable or liable for the contractual and other debts made by the management of the business entity. The management itself could not be held liable, because it was supposed merely to do the job with which the shareholders had charged it. Only when there were serious suspicions of crime, fraud or egregious misconduct did state-appointed judges bothered “to pierce the corporate veil” to find out which individuals were really responsible for the actions and decision that damaged creditors, investors, employees or outsiders.

The separation of the active powers of ownership in the hands of the directors (the government, the management) from the passive liabilities of ownership (to be borne by anonymous and legally immune citizens, shareholders) led directly to the emergence of fractional-reserve banking (which rested on changing the legal status of depositors to the status of risk-assuming investors) and from there to the notorious “Managerial revolution” of the 1930's – in politics, the transformation of the so-called State of Law (*Rechtsstaat*) into the Managerial or Policy State (Dutch *Beleidsstaat*); in economics, the transformation of owner-managed enterprises and partnerships into limited-liability corporations. “Limited liability” means that the liability of the corporation is limited to its assets, and that no liability at all extends to the personal wealth of the shareholders, managers or employees, unless there is proof of crime, fraud or gross negligence on their part.

² William Penn, *Some Fruits of Solitude* (1693), n° 337.

Free-market capitalism, which existed until the 1870s, has since then given way, by leaps and bounds, to the present system of what I call 'plutocratic socialism'. A small number of people (the plutocrats, also known as oligarchs) effectively control the shares and the management of huge anonymous business societies, and so have inordinate influence over the policies of other business corporations (notably the media and other information-dealing entities) and over states, which are also anonymous societies. For better or worse – mostly worse – that is the way it is now and will be for the foreseeable future.

Frank van Dun, Amsterdam October 9, 2026