To help us get a clear view of the beauty of Mary's soul on account of her Immaculate Conception, let us repeat a story of the Old Testament. When Josue, who succeeded Moses as leader of the chosen people, was bringing his followers into the promised land, he came to the Jordan River. The river, swollen with water, presented a barrier to their entrance into the promised land. The question was, how was he to get this vast amount of people across the river. At God's bidding he stretched his cloak over the water; and as he did so, it parted; that on the one side running off into the Dead Sea, and that on the other side standing still, piling up until all of the Israelites had crossed the river dry-shod. When the last one had set foot in the promised land, then this water that had been mounting higher and higher swept in one great wave down to the Dead Sea.

So we may say that when Adam committed original sin the supernatural glory destined for the human race was stopped and never reached man. But at the instant of Mary's conception all this loveliness of innocence and beauty of virtue which had been denied us by the sin of our first parents swept into her soul and made her the Lily of Israel, the Rose of Sharon, "nature's solitary boast," the Immaculate Conception.

"O, Mary conceived without sin, pray for us who have recourse to thee."

JOHN CASS

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IS ALL PROFIT UNJUST?

IN a recent number of the magazine *Consumers Coöperatives* there was quoted with approval an advertising slogan of the Coöperative Society of Sydney, Nova Scotia: "Any price in which there is a profit is not a just price," from which the conclusion is evident that all profit is unjust. But is it? It seems rather a broad, dogmatic statement, and certainly it is out of harmony with the views of most Catholics. They think that some profit is just, and that in prosperous times a large number of people manage to secure a profit. Indeed, the general impression is that the more people who receive a profit, the more prosperity. One's first impulse, therefore, is to dismiss this advertisement as on a par with the Socialist assertion that private property is robbery, and to regret that by such wild claims coöperatives are blinding neutral observers to the good elements in their system.

But what gives one pause is the possibility of this advertisement being sponsored by Catholics. Lately one has heard so much of St. Francis Xavier University, Nova Scotia, establishing coöperatives, that one wonders if this coöperative in Sydney, Nova Scotia, be under the University's auspices, and so whether this assertion of the injustice of all profit have some Catholic authority back of it. Do some Catholics say that "any price including a profit is not a just price," as Mr. Benvenuti and some other Catholics call a contract for interest "the iniquitous contract"?

The average Catholic's attitude toward interest and his attitude toward profit are probably somewhat analogous. Just as Catholics generally (despite a rather vocal group in England) think that some interest is reasonable and justifiable, but that there is a limit to the rate of justifiable interest beyond which it becomes usury; so they think that there is a reasonable and just profit and an unreasonable and unjust profit. For a man to corner the market on wheat and then charge a price which would net him 100% profit, every intelligent Catholic would admit is unjust; but the same Catholics would think that for a merchant to secure a profit of 10% retailing coal is not unreasonable or unjust. So much for popular opinion.

Theologians, however, define interest as a charge (over and above a return of a like quantity of the thing loaned) for the

use of a fungible (that is, an article which disappears in its first use, as a loaf of bread), and so the theologian says that all interest in this technical sense is, in itself, usurious and unjust. For interest in this strict sense there is no *intrinsic* ground of justification, though there may be one or more *extrinsic* grounds justifying its acceptance. Does the attitude of theologians on price similarly differ from popular opinion, so that there is a sense in which one might say with the advertisement, " Any price which includes a profit is not a just price "?

Theologians discuss just and unjust prices, but, so far as I know, they do not say specifically that any price including a profit is, on intrinsic grounds, an unjust price. But the reasons given by theologians justifying a price which includes a profit would seem to be extrinsic rather than intrinsic grounds. In fact, they do not consider the intrinsic nature of the problem with anything like the thoroughness with which they have considered the intrinsic nature of interest.

The following discussion, therefore, may at least serve to point out a problem and arouse comment.

First of all, we should understand just what is meant by " profit," for, like " interest," the word is used in several different senses. Thus, dividends are often looked upon as "profit," as when the Virginia tax return specifies: "'Dividend' means any distribution out of profits." The sense in which " profit " is understood by economists is given very clearly by Professor Fairchild in his *Elementary Economics:* " Profits are the net income of business or the difference between the income and the costs, the costs including rent, interest, and wages of management whether explicit or implicit." [1]

Turning to a Catholic source, we find the same definition expressed in different words in *A Dictionary for Social Students,* published by the Catholic Social Guild of England: " Profit, accurately used, means the surplus, if any, when the other factors of production have been adequately remunerated, and the costs of production met." The use of " other " in this definition seems to imply that " profit " is a factor of production. But evidently this is not intended, for under the word " production " the *Dictionary* specifies: " Production . . . requires two primary factors—*things* to be used, and *persons* to use them, or *land* and *labor*, to which we must add the secondary factors of *capital* and *organizing ability*." " Cost of production," it says, " include wages, rent, interest, taxes, raw materials, transport, advertisement, and insurance. These costs must be met before there can arise any *profit* from the business."

[1] II, p. 250, edition of 1931.

Without thereby introducing any error, these two definitions can be shortened to make " profit " mean: " any excess of receipts over costs ". We shall use " labor " to cover all human exertion expended in the productive process—unskilled physical labor, skilled labor, mental labor, labor of design, labor in advertising, and all labor of management. Hence there are three, and *only three,* factors of production: *land, labor,* and *capital.* " Wages " will be used in the sense of any compensation to " labor," whether so much per day, or an annual salary (even in six figures), or a bonus, or a share of any surplus after paying other costs, provided that the payment does not exceed what the labor so remunerated has contributed to production.

Keeping in mind these definitions, the first thought that occurs is this: if only three factors—land, labor and capital—contribute to production, is there any *intrinsic* reason why a part of the proceeds of production should be allocated to a fourth quiddity (it is not a factor of production), " profit "? If any moralist or economist, Catholic or not, has ever given such an *intrinsic* reason, I have failed to see it. Moreover, have land, labor, and capital been " adequately remunerated " when (of course after previously subtracting such costs as taxes, raw materials, insurance) they receive less as rent, interest, wages than they contributed to production? And can anything be distributed as " profit " if the *three,* and *only three,* factors of production receive the whole equivalent of what they contributed?

Leaving this aside for the moment, however, it seems evident that even in the most prosperous times not everyone receives a " profit ". Of course, some persons do not receive a " profit " because they are handicapped in various ways, and others do receive a " profit " because they have special advantages. But if each one had the ability and driving force of a Henry Ford or of a John D. Rockefeller, it would be impossible—indeed,

more impossible than it is now—for everyone at the same time to get a "profit". In fact, it is as mathematically impossible for everyone simultaneously to get a real "profit" as it is for everyone in a poker game simultaneously to win the jackpot. For "profit"—adhering to the above definitions of "profit", "factors of production" and "costs of production"—implies getting something more out of the business game than one has put in. One person can do that, a majority might do it, but *everyone simultaneously* cannot do it.

One reason for this is that if everyone simultaneously were to get a "profit," it would mean such a uniform and universal increase in prices, with a corresponding decrease in the purchasing power per unit of the money in which the "profit" would be paid, that the "profit" would be an illusion. This is as true of "profit" as it is of wages, and is no more subtle than the clearly recognized distinction between "real" and "nominal" wages. When labor receives an increase in nominal wages exactly balanced by an increase in the price of things labor has to buy, actually labor's real wages have not been changed. What obscures this point is the fact that the factors of production do not receive as compensation what is considered their share of the articles produced—as an artisan in a shoe factory so many pairs of shoes—but an amount of money with which they buy what is supposed to be the *equivalent* of what they have produced.

Less obviously, but just as truly, it follows from these definitions of "profit," "factors of production," and "costs," that *no one man can get a profit in the business game unless others get less than the equivalent of their contribution to production.* This is analogous to the familiar law of kinetics: "to every action there is always an equal and contrary reaction". That law is not immediately obvious to the average observer, but it can be proved by anyone willing to examine the proof. In a similar way, it is not at once clear that for every "profit" there is always an equal loss to somebody somewhere; but an analysis of the situation, complex as is that situation, would seem to prove it.

Because costs must be met before there is any "profit," let us begin the analysis by examining a little more closely the meaning of "costs of production". Among the costs specified

by the Catholic *Dictionary for Social Students,* it will be recalled, are any legitimate payments for the use of capital (interest), or for the use of land (rent). Such payments are as truly costs as are payments for material or for taxes. Hence rent or interest received by an investor, manager, or by anybody else is not "profit," provided such payments do not exceed the share which the land or the capital involved contributed to production. Consequently, an elimination of "profit" would not deprive owners of either land or of capital of what their property has produced.

This explanation is important because many persons confuse "dividends" with "profit". They speak of a business which distributes a hundred thousand dollars in dividends as making a hundred thousand dollars "profit". But so long as the stock on which the dividends are paid truly represents actual capital—that is, the product of past industry used as an aid to further production—and the payments do not exceed what would be justifiable as interest, the dividends are not "profit," but compensation for the share which capital contributed to production.

This is true even if the owner of the business receives all excess of receipts over actual expenditures because he owns the entire capital, and there are no *formal* dividends. For instance, if we consider two businesses, each using actual machines of equal value, in one of which businesses there is no stock and the owner of the business owns the machines free of all debt, and in the other of which businesses the owner had to borrow to buy the machines: then, before calculating the "profit" of the first mentioned business, what the owner would have had to pay in interest had he borrowed to buy the machines should be subtracted, at least on the concern's books, before calculating the "profits". It is not an *actual* expense, but it is nevertheless a legitimate deduction in order accurately to determine "profit".

What has been said of interest is equally true of rent. Suppose that farmer A owns fifty acres on which he raises 250 bushels of wheat which he sells for $250; and suppose that farmer B rents for $80 fifty adjoining acres on whcih he raises 250 bushels of wheat which he sells for $250. Farmer A—disregarding taxes and all expenses other than rent—has not made

$80 more " profit " than has farmer B, for $80 of farmer A's receipts should be considered as rent.

Throughout this paper, then, " profit " is used to mean the excess of receipts over costs, even when some of those costs, because of ownership of land or of capital, are paid to the recipient of the true " profit ".

Remembering that " profit " is an excess of receipts over costs, the question naturally suggests itself: whence come receipts, whether or not they exceed costs? Receipts come from sales to purchasers, and in a money economy such as ours, sales are in exchange for money. Where do purchasers get the money with which to buy? It has been distributed directly or indirectly by some business, and usually by a business other than that of the seller. The receipts of the seller are in exchange for something which the seller's business has produced.

But since only three factors—land, labor (whether labor of management or of design, whether skilled or unskilled), and capital—have contributed to the seller's production, from one standpoint the total receipts of the seller should be distributed to the three factors which produced what he sells. In that case, costs would equal receipts and there would be no " profit ".

The situation is complicated, however, by the fact that the amount to be distributed to these three factors because of a surplus (" profit ") depends upon the volume of receipts, which obviously depends upon the amount purchasers buy. Hence, until the total paid-for sales are known it is impossible to tell whether or not a particular price for an article includes a " profit ".

Thus, if 5,000 books are printed in an edition and only 2,000 of them are sold, the publisher's expenses for each book sold would depend upon previously determined expenditures for labor, material, etc.—supposed in this example just to balance the receipts from selling 2,000 books; whereas if the same 5,000 books were printed and 5,000 sold, the same (or approximately the same) predetermined expenses would result in an excess of receipts over costs, or a " profit ".

Should excess of receipts over costs (" profit ") be distributed entirely to the owners of the business selling the articles? or partly to the owners of the business and partly to the employees? or entirely to the employees? There are advocates and actual examples of each plan.

But there is still another possibility, a refund of the excess of receipts over costs (" profit ") to the purchasers. And there are advocates and actual examples of this plan also. From one standpoint, indeed, the purchasers caused this excess of receipts over costs by the volume of their purchases, and therefore, claim the advocates of a refund, the excess of receipts over costs (" profit ") should not go to the seller or to his employees. Should, then, the excess of receipts over costs (" profit "), assuming that the three factors—land, labor, and capital—producing the goods have already been reasonably compensated, be refunded to the purchasers—that is, to the consumers?

In a way, the problem has analogies to the old query: which comes first, the chicken or the egg? Which comes first, not in point of time, but in emphasis and importance, production or consumption, selling or buying? Is production for the sake of consumption, or is consumption for the sake of production? Does the buyer exist for the sake of the seller, so that the seller may secure a " profit "? Or does the seller exist for the sake of the buyer, so that the buyer may get goods?

We may say that, on the whole, since the industrial revolution, or at least since the dominance of mass production for sale, we have had a producers economy. That is, production is directed by producers whose object is to sell and who take whatever " profit " or loss there may be. Naturally, producers have to consider to some extent what consumers want, but the dominant idea in the producers is to sell. Hence, producers will manufacture anything they can sell, whether or not it is best for use. And by every means of advertising at their disposal they attempt to inveigle the possible purchaser into buying.

One of the obvious characteristics of this producers economy is that production and consumption (which implies purchasing power) do not balance. In spite of graphs and sales charts, and whatever other aids producers have in forming a judgment, they sometimes produce more than they can sell, inventories pile up, employment is curtailed, thus further reducing purchasing power, and we have what is euphemistically called an industrial depression with its untold misery of unemployment, poverty, starvation. In our one hundred and fifty years of national

existence, the years of depression have probably been double the years of prosperity.

In a producers economy, any "profit" usually goes to the producers and principally to the owners of the business. And since "profit" is an excess of receipts over costs and wages are a cost, the owners have a strong temptation to make wages (except wages of management) as low as they can. This keeps down the purchasing power of the lower-bracket wage-earners, at the same time that "profit" increases the purchasing power of some owners of land or of capital. Furthermore, because the price of what laborers buy includes a "profit," the purchasing power of laborers (from whom to a large extent the buying must come in order to balance production and consumption) does not cover as many goods as it would if the sellers' "profit" had been returned to the purchasers at stated intervals.

Of course the distribution of "profit" to the owners of business instead of to employees or to purchasers is not the only reason why one thirty-third of the population receives one-third of the national income, nor why one-third of the population receives a purchasing power below the borderline of poverty. If it were the only cause of this situation, then distributing "profit" to employees or to purchasers would in itself bring about a sufficiently wide diffusion of income to balance production and consumption. But the fact that generally owners of business get any excess of receipts over costs is a contributing cause to maldistribution of income (purchasing power), and so to periodic depression, over-production and under-consumption, unemployment.

Moreover, since money is purchasing power, what is really distributed, though in the first place money, is really equivalent to goods, and so to what has been produced. A wage-earner making structural steel is not paid in I-beams, because he does not want I-beams. He is paid so much money with which he buys what he does want. What he wants, whether goods or services, is produced by someone, and hence what is distributed in wages is really what has been produced.

Consequently, though it may not at first sight be apparent, in an economy for sale *there can be no "profit," in the sense of an excess of receipts over costs, for anyone unless that person receives more than he has produced, and the excess so received will have been subtracted from what someone else produced.*

Simplifying a very complex system of exchange, suppose that farmer A and farmer B have each produced 100 bushels of wheat. Can farmer A exchange his wheat with farmer B for 110 bushels and farmer B exchange his wheat with farmer A for 110 bushels? Naturally not. The introduction of money, the substitution of thousands of products for the wheat, the multiplication of producers by millions, spreading the transactions over months or even years, complicates the problem but does not invalidate the simplified example of the two farmers.

Or imagine the production of everyone dumped into one vast vat. Can each one get back more than he put in as his production? Evidently not. For the whole cannot be greater than the sum of its parts. The fact that production and distribution is not a static affair, but something like flowing water with time to be taken into consideration, although it makes the comparison limp (as all comparisons limp), does not entirely nullify it. As "profit" has not contributed to production, if a portion of production go to "profit," that portion must be the production of one or more of the three factors—land, labor, capital. There may be Forty Thieves in the business world, but there is no Ali Baba producing, without land, labor, or capital, merely by rubbing a magical lamp.

Some labor may contribute more to production than does some other labor, and so should receive more than other labor receives; some capital or some land may produce more than other capital or land produces and so should receive more than other capital or land receives. Some laborers may own productive land or capital, and so should receive more than is received by those who own neither land nor capital.

Therefore an equal distribution is not demanded by these reflexions on "profit". But some—whether owners or laborers—cannot receive more than they *contributed* to the vat ("profit") unless others receive less than they contributed. Since land, labor, and capital account for the total in the vat, a portion cannot go to a fourth quiddity, "profit," unless some labor, or some land, or some capital receives less than it has contributed. And unskilled labor being in the weakest posi-

tion, it is more likely to be unskilled labor than land or capital which receives less than it has contributed.

"Profit" contributes nothing physically to production. "Profit" (or the hope of "profit") is merely a psychological incentive for some owners of land or of capital to use, or to allow for a consideration enterprisers to use, their land or capital for production. Sometimes "profit" (or the hope of "profit") is an incentive to produce useless luxuries for the one thirty-third of the population having purchasing power for such things; sometimes it is an inducement for the ill-advised to produce what they wrongly guess can be sold.

But that "profit" (or the hope of "profit") is an indispensable inducement for production is belied by the fact of Rochdale coöperatives doing one-eighth of the enormous retail trade of England; as well as by the example of such astute and gigantic institutions as the Metropolitan Life Insurance Company, which was once a joint-stock company in which "profit" went to stockholders but which changed in 1917 to a mutual (non-profit) corporation owned by the policy-holders who now receive any savings. Such non-profit or mutual organizations—including savings banks, fire insurance and casualty companies, building associations and others—have assets of *fifty billion dollars.* This is quite a sizeable proof, if any proof were needed, that "profit" (or the hope of "profit") is not always and in every line of business a necessary condition to accumulate capital or to attract competent executives.

All this might indicate that the elimination of "profit," in so far as it can be eliminated, might be a good thing for society as a whole, but would not necessarily prove that "any price including a profit is not a just price". There might be some kinds of business so complex and so tangled that the elimination of the profit motive is impossible. Even in coöperatives, despite the Sydney, Nova Scotia, advertising slogan, the price charged originally includes a "profit," else they could not stay in business. There is no such thing as a business selling for any length of time strictly at cost. For the costs per unit (as was illustrated by the example of publishing) depend upon the number of units sold. And the number of units of any given article which will be sold cannot be predicted with sufficient

accuracy to avoid bankruptcy if the original price simply covers costs.

Coöperatives avoid the difficulty by first charging a price including a "profit," and then at stated intervals returning any surplus ("profit") pro rata to the purchasers. But for any given purchaser his pro rata share of the surplus may have accumulated from what someone else bought, not from what he bought. Thus a grocer might sell tea, coffee, sugar without accumulating any surplus on such sales, yet the purchaser of such articles might receive his pro rata share of the surplus accumulated on sales to other buyers of bread, preserves, vegetables. The implication of the Sydney, Nova Scotia, advertising slogan is that the coöperative does not charge a price which includes a "profit," though in reality it originally charges such a price; or the implication is at least that it returns to each purchaser the "profit" accumulated on his purchases, though in reality the "profit" may have accumulated on the purchases of someone else.

The fact that "profit" can hardly be returned with exactness to the particular purchaser on whose buying it was accumulated is shown very clearly in regard to life insurance. The difference between a joint-stock (profit) and a mutual (non-profit) insurance company is not that in the one case premiums (price) include a "profit," and in the other case they do not; for the premiums are approximately the same. The difference is that in a joint-stock company the savings ("profit"), if any, go to the stockholders, whereas in a mutual insurance company any such savings go to the policyholders. The pro rata share of the savings ("profit") which any particular policyholder (purchaser of insurance) receives are not the exact savings made on his policy (purchase), for on that there may actually have been a loss, but savings made on all policies.

Certainly we cannot say universally and unconditionally that any price including a "profit"—remembering the definition of "profit"—is unjust. But it would seem we can say that the grounds justifying "profit," as the grounds justifying interest, are *extrinsic* rather than *intrinsic*. Among such grounds are the stimulating effect upon business as a whole, the difficulty of fixing before sale prices which do not include a "profit," and the fact that we live in an economy where the "profit" system

dominates—is accepted as reasonable if not, indeed, necessary. Perhaps that system should be changed by a universal application of the non-profit coöperative or mutual principle, but until it is changed the individual living in an economy where "profit" (or the hope of "profit") dominates is justified in receiving a "profit". The situation in regard to "profit" has analogies with that in regard to interest. Interest may be, as some Catholic writers affirm, "an iniquitous contract," and the best theological opinion is that it is unjustifiable on *intrinsic* grounds, though one is at present justified on *extrinsic* grounds in receiving interest.

There is no *intrinsic* reason why anyone who has produced $100 worth of goods should receive in addition to cost—which include adequate compensation for his labor and for the contribution of his land or his capital—10% more as "profit": and that is "profit" in its simplest terms. Many persons may think that it makes little difference whether justification for "profit" be intrinsic or extrinsic, just as many think that it is unimportant whether interest is justified on intrinsic or extrinsic grounds. But on the other hand for the sake of accuracy it may be a good thing to understand clearly just what "profit" is; to recognize that when some receive a "profit" there must be a loss by others corresponding to the "profit;" and to see that if everyone actually sold his production for a "profit" there would be a proportionate decrease per unit in the purchasing power of the medium of exchange rendering the "profit" illusory; and finally that the justification of "profit", like the justification of interest, is on extrinsic grounds.

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A BISHOP COMES TO CALIFORNIA.

THIS year California observes a date of deep historical and spiritual significance: the centennial of the Hierarchy's establishment in the State. The first bishop for the Californias (Upper and Lower) was consecrated in Mexico in 1840.

During the Missionary period—from 1769—the Padre Presidente of the Franciscan Missionaries depended, as to inter-order relations, on his superiors at the College of San Fernando in Mexico with which all the early Padres were connected; his Ordinary was the Bishop of Guadalajara. In 1779—under Pius VI—a new diocese was formed in Northern Mexico embracing the States of Sonora and Sinaloa and both the Californias. Its first Bishop, Antonio De Los Reys, O.F.M., was consecrated in 1782; Sonora was his see, the Archbishop of Mexico his metropolitan.

Father Junipero Serra, O.F.M., as Presidente of the Franciscan Missionaries had quasi-episcopal authority as far as administraton was concerned; he had received from Rome the faculty of administering the Sacrament of Confirmation, for ten years. After his death in 1775, Father Lajuen was made Vicar Forain and Vicar for the troops by the Bishop of Sonora; the faculty for Confirmation did not reach him from Rome, through the Bishop, until 1790. Neither the Bishop of Guadalajara nor the Bishop of Sonora was ever able to visit the Californias.

According to the laws of Spain and the intention of the Franciscans themselves, the missionary system was not supposed to be permanent; as soon as possible the Mission churches were to be erected into parishes with "secular" clergy in charge; the "regulars" would have moved to new territory or, if remaining in charge, they would have assumed the status of parish priests. With the establishment of canonical parishes the formation of a new diocese in the Californias would have been a natural consequence.

However, the Spanish government made no move toward the secularization of the Missions and the Padres; though visualizing that possibility, it realized that it had to come very slowly and gradually, mainly for the sake of the Indians. Unfortunately, the California Indians were, biologically, very low grade: they lacked physical stamina, they possessed neither the intelligence, nor the industry, nor the steadiness of character needed to guar-