

**THE
WONDERFUL
WEALTH
MACHINE**

1

MAN, THE MUDDLEHEADED GENIUS

*And who knoweth whether he shall
be a wise man or a fool?—Eccl.
2:19*

ALTHOUGH the scientists do not know the exact date of man's first appearance on this planet, we may be sure it was a long, long time ago. And we may be equally sure that the first man ran around naked, that he slept in a natural cave, a rotted log, or on a high branch of a tree. In those days, man rarely knew where his next meal was coming from. If he was lucky, primitive man found things like wild fruit, nuts, snails, beetles, and grubs to eat. In certain locations he probably found sea food or stole the eggs from the nests of wild birds and honey from beehives. But he had to work so hard to find a meal, digging with his nails in the dirt, climbing trees and clambering up sharp rocks, chasing and fighting other hun-

gry animals, that he was always hungry, seldom more than one step ahead of starvation.

During daylight, our primitive man was so busy making a living he had little time to think about his future. But at day's end, while shivering with cold in a corner of his foul, damp, drafty, louse-infested cave, man would review the day's adventures and the mistakes he had made. Night after night he'd huddle there and think, always of one thing: how to make a better living the next day with less work and more certainty.



His irresistible desire to live better with less work forced him to develop his reasoning power, and this enabled him to invent a few very simple tools. The best he could devise at first was a pole with which he might knock fruit and nuts down from high branches. That invention helped him avoid wasting the time and labor involved in climbing trees for his supper. Next, he probably improved his pole by sharpening one end to a point, which made digging into the dirt for roots and grubs much faster and, at the same time, easier on his nails.

It is even likely that one day, while digging up some roots with his combination tool, he heard behind him a twig snap

in the brush. Turning quickly, he saw a tiger springing down on him. Instinctively, he pointed his pole toward his enemy. The great weight of the man-eater threw our hero to the ground, but almost instantly he sprang to his feet and ran for his life, leaving his wonderful tool behind him. On the following day, he returned, very cautiously, to look for his sharpened pole. There on the ground, to his amazement, he saw the tiger lying dead and the pointed pole running clear through its body. That night, back in his cave, his stomach stuffed with tiger steaks, our primitive man must have realized, perhaps for the first time, that he was no ordinary animal. With his triple-combination tool — the fruit-knocker-downer, root digger, tiger killer — resting across his lap, he must have dreamed of becoming master of the world and all things in it.

In time he learned the secret of the seed, planted the foods he preferred, and thus eliminated the need to search for his fruits, nuts, and vegetables. By learning to breed animals and birds, he was able without hunting or climbing to satisfy his desire for meat, eggs, and milk. His later development of the net and hook made catching fish child's play.

With his food problem more or less solved, our primitive ancestor desired to dress in a fashion worthy of an animal of his importance. He made his first clothing out of the hides of beasts he had slaughtered for their meat. Never one to be satisfied with anything very long, he put his mind to work making clothes that fit better, were more comfortable, more colorful, and more flattering.

While he was doing all this, he also worked on his housing problem. Beginning with no home at all, not even a nest or a burrow, and then dreaming up one improvement at a time, man has eventually developed homes that automatically keep themselves as warm or cool as he wishes. Water, once an important problem, is now not only piped into his house, but it runs hot or cold, clear or soapy, depending on which foot pedal he chooses to step on.

Since his very beginning, man has been able to do anything

he could imagine. Some things, like a pole for knocking nuts down from trees, he produced soon. It took him much longer, hundreds of years, to work out some way to preserve the food he caught in good times so that he might have it when the lean years rolled around. He probably dreamed thousands of years about flying before he finally managed to whiz through the air higher, farther, and faster than any bird. As the saying goes, he did the easy things almost at once; the impossible took



him a bit longer. But he always did manage, eventually, to produce anything he could imagine.

Undeniably, man is a genius. At the same time, there is plenty of evidence around to prove that he is also a helpless and stupid muddlehead. He can produce unlimited quantities of food, yet hunger is common everywhere. With his wonderful machines, he can produce fabrics and finished clothing in almost no time at all, yet in most of the world he is cold and ragged. When he wants to, he can build a fine house in less time than it took the cave man to build a raft; yet in most parts of the world, including our own United States, multitudes are homeless. In spite of man's marvelous brain and many skills, there are mil-

lions on earth today who don't live very much better than the caveman of 300,000 years ago.

In Naples today, uncounted hundreds of humans who can't even afford a dark corner in the filthy Neapolitan slums still live in caves no better than those in which primitive man discontentedly lived. During the short period of peace between World War II and the Korean hostilities, more than three million men in our own United States who wanted jobs couldn't find them. Uncounted millions in Europe, Asia, Africa, and South America have been starving, homeless, and ragged so long that even the slavery-with-security *promised* to them by communism looks good to them. At the same time in the Soviet Union, a nation that pretends to provide security to all who will accept its rule, millions of humans are not only as ill-fed, ill-clothed, and ill-housed as our earliest ancestor but have lost the freedom he enjoyed—the freedom that enabled him to improve his lot. In our own country, the richest the world has ever known, in 1949 only thirteen families out of every hundred had an income of \$5,000 a year or better. To the eighty-seven per cent who earned less, \$5,000 a year seemed a fabulous sum; but actually, with the cost of living as high as it was and is, a family of two adults and two children couldn't do more than keep itself fairly well fed, clothed, and housed on that income. And even if we were to call \$5,000 a year a good income, what shall we say to the fact that one out of every four families has an income of less than forty dollars a week with which to support itself? If such is the condition prevailing in ours, the richest nation in the world, during its most prosperous period, it is alarming to think what it is in the rest of the world.

In earlier paragraphs we tried to demonstrate that man made even his most fantastic dreams come true by simply using his reasoning power. Certainly he has dreamed often about a world in which poverty, crime, and war did not exist. Why, then, hasn't he applied his unfailing reason toward solving these comparatively simple problems? The truth is, man discovered the answers hundreds of years ago. But for some reason, his discov-

ery has been treated as a dark and dangerous secret. At least once every generation an optimist pops up from somewhere and attempts to spill the beans, to tell all. But, thanks to the constant vigilance of those forces that stand guard over the minds of the earth's millions of poverty-stricken humans, not a single blabbermouth has yet succeeded in revealing the horrible secret.

It might be fun, in the following chapters, to take another try at spilling those same beans. It should be interesting to discover why man must continue to toil and sweat in order to enjoy his hunger and poverty on an earth that fairly bursts with the stuff that might provide him with more food, clothing, and shelter than he can use. And it should be exciting to track down those who are so determined to prevent man's learning the secret, whatever it may be.

2

WHO IS INJURED BY POVERTY

Besides, as long as poverty remains possible we shall never be sure that it will not overtake ourselves.

—George Bernard Shaw

WE'D be stupidly shortsighted if we should believe, upon having all of our teeth yanked out, that not we but our mouth is suffering. True, our mouth would be destitute so far as teeth are concerned, but it wouldn't suffer the unhappiness that our stomach would whenever we tried to digest an unchewed meal; or the misery we would suffer if we should find ourselves at a banquet, bursting with the desire to laugh at the hilarious remarks of the toastmaster but not daring to do so for fear our fellow guests might see our toothless condition. Our mouth then, we might say, though very

poor so far as teeth are concerned, doesn't suffer at all, while the rest of our body, rich in all *its* parts—organs, bones, flesh, and blood—suffers a great deal through the poverty of our mouth.

Similarly, it isn't the poor who are made unhappy by their poverty but the so-called middle class and rich. If we should visit the dirtiest of big- and small-city slums, the poorest areas of the South, or the Ozarks, we would find humans as poor as any that can be found on earth, actually smiling and singing gaily—unworried. These poor souls, as Gershwin's Porgy sang, "got plenty of nothin', and nothin's plenty for" them. Margaret Bourke-White's photographs, taken during the last depression to show us the horrible condition of the southern poor, illustrated clearly how ragged, dirty, and debased humans can become without seeming aware of their miserable plight. Her wonderful photographs showed the bent, ragged, underfed, and rickety paupers contentedly smiling broad, toothless smiles, in spite of their broken-down, rotting shacks, their dark, drab, and ugly rooms. The photographs illustrated clearly that poverty doesn't make the poor unhappy—it simply robs them of the dignity and nobility that are man's birthright.

Paradoxically, it is the rich and hope-to-be-rich middle class who are made unhappy by poverty. It is they who are rarely unworried and content. It is the independent manufacturer and businessman who have the nervous breakdowns and ulcers, who, when the periodic depressions roll around to spread poverty among the lower classes, find their profits disappearing, the return on the capital they invested falling to almost nothing, the business on which they spent their lives and savings collapsing for want of customers who have money with which to buy the goods they must sell if they are to escape bankruptcy.

It is the professional men, the doctors, lawyers, teachers, engineers, scientists, barbers, and entertainers, and not the unemployed and low-wage working men, who really suffer when the folks-on-the-wrong-side-of-the-tracks are destitute. For they can't sell their services and talents to humans who cannot afford to

buy them; nor can they sell them to the middle class to the same extent they did in "good times," since those in the middle-income group can buy services only *after* they've provided their families with food, clothing, and shelter; *after* they've put aside enough to pay for their children's educations and their own funerals. That is why, during depressions, the professionals in our society are unhappiest.

But, even more important, it isn't the poor alone who suffer from the crime and disease that blossom in their poverty-stricken areas. For it is those who have something to steal who must



be robbed—and murdered if they resist. It is those who have something to tax who must pay the costs of policemen, courts, and the prisons that are filled with criminals bred in the slum areas. It is the upper classes as well as the paupers who are subject to the venereal diseases and epidemics that pour out of the shanties, to spread like poison gas into the private residences and mansions. And of course the cost of fighting disease must be paid by those who have incomes large enough to tax.

But even those in very high places, the multimillionaires, suffer more from poverty than do the paupers. For it is the poverty of the masses that gives life to communism or socialism. The

very rich and mighty may pretend to themselves that all they need do to wipe out communism and socialism is to have the FBI track down and punish Russian spies and American screwballs who allow themselves to be used as Soviet cat's-paws. But the rich know, or should know, that communism or socialism is not a foreign political movement but a resentful feeling among the middle class—not the poor—born out of fear of the poverty into which they see themselves sliding. And the very rich certainly know that when middle-class fear and resentment reach a certain level there will be riots, revolution, anarchy, and mass murder in spite of the FBI, the army, the navy, and the atom bomb. As Aristotle remarked, "Poverty is the parent of revolution and crime." And the opulent should have learned from history that when mad riot breaks loose, it is the very rich, the aristocracy of the land, who are swung from lampposts, flung out of windows and off balconies, butchered in their beds, and subjected to the lowest indignities. Having most, the millionaires have most to lose. But that is not to say that the poor will not suffer during revolutions at all. When riot breaks out, it is their bodies that are machine-gunned to form huge, tangled barricades of lifeless, bleeding flesh. The middle-class workers and professional people, during revolutions, will be caught as usual in the middle, their homes, stores, and factories looted and burned by the mob, their savings wiped out, they themselves corralled in camps and dragged into torture chambers.

In a few words, poverty of the masses affects everyone, from the hungriest infant in the filthiest of slums to the most powerful, world-controlling billionaire on earth.

3

WHO IS IN FAVOR OF POVERTY

*Let no guilty man escape. . . .
No personal considerations
should stand in the "way of
performing a public
duty.—Ulysses S. Grant*

IT WOULD seem that anything as plentiful and widespread as poverty must be very much wanted by someone—not for himself, of course, but for others. If that weren't so, poverty would be fought with as much enthusiasm as we now put behind our drives against cancer, tuberculosis, race hatred, and other unpopular things. If poverty doesn't do someone some good, then poverty, like smallpox, debtors' prisons, and slavery, would have been stamped out by this time. But since poverty, a curse as old as history itself, is still with us and grows more widespread every generation, we can hardly be blamed for suspecting that some mean and heartless group goes out of its way to keep the world's people as hungry, ill-clothed, and ill-housed as possible.

If indeed there are some who are in favor of poverty—not for themselves but for the masses of people—and if we want to find out who they are, all we have to do is discover who gains an advantage through keeping most of the world's people poor. If we do unmask the villain or villains, we will have learned at the same time who is so anxious to prevent the poor from learning *why* they are poor.

Since poverty is nothing more than the lack of wealth, and since a lack of wealth arises only when men are out of work or underpaid, it becomes clear that the problem of low-wages-and-no-wages is exactly the same as the problem of poverty. All we have to do is discover who, if anyone, is in favor of low

wages for the masses of people, and we shall find the villain we seek.

It is said by some that the communists look with favor on poverty because they find it so much easier to sell their philosophy of slavery to those who are blinded by hunger or by the fear of becoming poor. The destitute, it is argued, quite naturally prefer the security of slavery, which is offered by Marxists, to the suffering, insecurity, and hunger promised by champions of so-called free enterprise. All this is perhaps true; but just as we cannot say that a vulture is responsible for the death of men and animals just because it depends for its food on the dead bodies it finds, so we can't blame communism for poverty just because communism grows only where poverty is most severe. We know that poverty existed long before Karl Marx or the idea of socialism or of communism was born, and Marxism can't, therefore, be the *cause* of poverty. The cause of anything *must* exist *before* the thing it causes.

There are many who insist that "the church," particularly the Catholic church, is responsible for the low wages and poverty of mankind, and base that belief on the fact that the population is always poorest in those countries in which the organized church is strongest: and where the masses of people are poorest, the church becomes most powerful. Another reason the church is suspected of causing our widespread poverty is the fact that the first Christians preached the wickedness of wealth and the blessedness of poverty: . . . "How hard it is for them who trust in riches to enter the kingdom of God." . . . "The love of money is the root of all evil." . . . "Why do you so pusillanimously fear poverty, which even your philosophers praise, and bear witness that nothing is safer, and nothing more calm than this [poverty]?" And yet such "proofs" aren't very convincing if we recall that low wages and widespread starvation existed long before the birth of any of our Western religious creeds. And, again, since the cause must precede the result, we are left with no evidence that any church favors starvation and misery for mankind.

Contrary to the opinions of Marxists, even the "bosses" know it is only the laborer with money in his pockets who can buy the goods that they, the "bosses," sell. Even the stingiest "boss" is happiest when the country is full of high-salaried workers with pockets bulging with spending money, because he knows that his business booms and that he earns most profits when Mr. & Mrs. Wage Earner are in the chips. He also knows that in bad times, when wages are low and many men are out of work, fewer of his customers can afford to buy his goods; that he earns less, has trouble paying his bills, and is in constant danger of losing his business, as so many like him did during the depression of the '30's. And so, even though his interest in the laborer may be a selfish one, and though he may be slow in handing out pay increases to his own employees, the "boss" has every reason to favor high wages, steady employment, and general prosperity throughout the nation.

The "boss" isn't the laborer's only friend. The labor union, too, wants to see the laborer work steadily at high wages. In fact, the first aim of the labor union is to boost the wages of its members as high as possible. Some of us, suspicious by nature, may think that the union leaders aren't so much interested in high wages for its members as they are in power and high salaries for themselves. That may or may not be true; but we can't deny that the unions do spend most of their time trying to force the "bosses" to pay higher and higher wages to the union members and to improve their working conditions. For the union leaders know that the higher they can boost wages the greater the number of dues-paying members they can attract; that the worker who gets a raise as a result of the union's work won't mind paying a little more in dues and assessments to the union. Since the union leaders know they cannot collect very much in dues from poorly paid members, and none at all from the unemployed, we can certainly agree that the union leaders are dead set against poverty for anyone.

Another good friend of the laborer throughout the world is his government. It does its best to enforce laws intended to prevent

wages from falling below a certain amount. It arranges to have the laborer paid unemployment insurance if he should be out of work, and besides pays hundreds of civil-service workers to find another job for him. And if the government can't find a suitable job for the worker, it will give him and his family free food, clothing, and shelter. When the worker grows too old to work, the government will often pay him a pension. If he happens to be a young farmer, the worker will be paid a subsidy and will sometimes be paid by his government to destroy his crop! He might even be paid a bonus if he doesn't raise a crop to destroy. We can rule out the government as the villain who deliberately keeps the people poor.

And among the good friends of our workers, we must include the politician. In his carefully prepared speeches he speaks mostly of the worker's welfare and prosperity for all. He, too, is a tireless warrior fighting labor's battles. Knowing that if he can raise the workers' standard of living, he can hold his control over their votes a few years longer and can even hope to become president, he votes for high tariffs to protect the workers' jobs and low tariffs to protect the buying power of the workers' wages. He votes for peace measures to protect the workers' lives and for war measures to protect the workers' freedom. He votes against taxes to protect the workers' wages and he votes for taxes to save the workers from inflation. The politician is undoubtedly not in favor of a nationful of poor and unemployed. There isn't much graft lying around loose in such a country.

Every person and every institution obviously favors prosperity and well-being for all, nobody seems to have any advantage to gain through poverty, yet poverty continues century after century, all over the world. But how can that be?

4

WHO CARES ABOUT POVERTY?

I remember that a 'wise friend of mine did usually say "that which is everybody's business is nobody's business."—Izaak Walton

MAN, the great problem solver, has developed sciences of every conceivable kind; but the science that investigates the causes of poverty seems to be one that scholars and statesmen prefer to avoid.

It is true that there are certain branches of learning that profess an interest in poverty. Social workers, for example, show great concern for the poor. But for the most part they are not so much interested in poverty as they are in the results of poverty: crime, disease, slums, insanity, and the hardships of the unemployed and the aged. If it is a crime wave, juvenile delinquency, or a race riot with which the modern sociologist is faced, he digs into his wealth of charts and statistics and then usually suggests *more playgrounds, more neighborhood clubs, and more church groups*. He treats insanity with a call for more insane asylums, and his cure for unemployment is "charity," though he calls it *home relief*. But it seems that as fast as parks, playgrounds, prisons, and institutions are built, the number of new criminals, juvenile delinquents, and other unfortunates increases. He fights slum conditions with formulas similar to the following: *Teach the slum dwellers cleanliness. Teach them how to beautify their rooms with charming flower pots and vases, which they might easily make by decorating empty pickle jars and soup cans rescued from the neighborhood garbage dump. Teach mothers how to make chic garments for their children out of daddy's overalls. Teach daddy how, by papering a wall with colorful magazine*

covers, he can make a cheerful nursery for the expected baby in the corner of the room that has a window.

The economist is another who seeks answers to the problem of poverty. He does it with charts and graphs. More than that, he spends pages and pages to explain, with strange symbols, that the poor man isn't rich. The most fashionable of the various formulas used by the government economists today is $E + B - T = C$. E equals Earnings, B equals Benefits (unemployment relief, pensions, subsidies, etc.), T equals Taxation (hidden and direct), C equals what is left for Consumption (food, clothing and shelter). In simple English the equation means that *the most that man can spend for the things he wants is what is left of his earnings and benefits after the government has taxed most of his earnings away from him.*

Other tools useful to the economist are the "laws" he discovers: *the law of supply and demand, the law of diminishing returns, the law of marginal utility* and other equally high-sounding ones. They're extremely interesting, but for the most part they have proved to be useless in tracking down the *causes* of poverty. The economist's solution to the problem of poverty, if he is pressed to give one, seems to be: *tax everyone who has something, to keep those who have nothing alive for a few years. By that time we will have another war and everyone will then be employed making war goods. And because more people will then be earning more money, we will be able to collect more taxes. When the war is over, and people have too much money salted away in bonds and savings, we must tax it away from them to combat inflation. When the people are again broke, the inflation period will be over, and deflation or, what is the same thing, depression, will set in. Then we can start all over again, taxing those who still have a couple of bucks to support those who have none.*

Actually, neither the sociologists, economists, nor politicians are really interested in *eliminating* poverty. True, the social workers do try to make the poor, in their filth and starvation, as comfortable and as happy as possible, but they do not seem

interested in seeking out the *cause* of such poverty or in devising methods for preventing the number of poor from increasing. The economists are quite willing to produce graphs and statistics to prove that the poor are in need of food, clothing, and shelter; that since the unemployed can't support themselves, the government must take care of them. But they are not concerned with *why* the poor are poor or with finding ways to allow the poor to become at least self-supporting. Nor do they seem to be interested in keeping the fast-diminishing middle class from becoming poorer and poorer until there will be only two classes in the United States: a handful of very rich and a land full of very poor.

And of course the politicians, even if they had sufficient intelligence and ability, wouldn't dare eliminate poverty. The dishonest ones wouldn't because they know that if they did, people would be relieved of the worry of poverty and would have time to study and think; and should that happen, all corrupt politicians—whether communist, socialist, Democrat, or Republican—would soon be unable to earn their livings by betraying and pillaging those they are paid to *serve*. The honest politician wouldn't dare, for reasons we shall learn in later pages.

Just as Mars, millions of miles from the earth, is nevertheless the planet closest to us, *economics* as it is taught today is closest to the study of poverty. True, economics as taught today in most colleges—not all—is primarily concerned with the wealth of individuals and corporations and not with the poverty of mankind. But since poverty is nothing more than the absence of wealth, the study of economics—the science of wealth—may throw some light upon the problem of poverty. Therefore, let's take a careful look into the subject called *economics*.

5

THE LIFE AND DEATH OF POLITICAL ECONOMY

Now, as there are many actions, arts, and sciences, their ends also are many: the end of the medical art is health, that of shipbuilding a vessel, that of strategy victory, that of economics -wealth.—Aristotle, Ethics

THE STUDY known sometimes as economics, sometimes as political economy, began about 2,400 years ago, when a Greek lad named Xenophon wrote a very beautiful dialog in which a Greek citizen patiently teaches his young, inexperienced, and extravagant wife how to manage his household and slaves economically and efficiently. Xenophon's dialog soon became popular with other Greek husbands whose wives suffered similar difficulties in household management. They used it to teach their wives how to live within a budget according to the methods set down by Xenophon. Eventually, the title of his book, *Oeconomicus*, became *economics*, the name of the study concerned with keeping the family expenses within the bounds of Pop's income.

Of course economics at that early time was strictly a family affair. It was something all good housewives were expected to learn but hardly the sort of thing to interest the famous scholars and philosophers with which Greece fairly crawled in those days. But as nations began to develop in Europe and to set up their colonies in America and elsewhere, government became big business, burdened with the expenses of big business. Scholars, seeing a chance to make an easier living, immediately took jobs with their governments as economic advisers and devoted their

talents to developing schemes for bringing money into the public treasury faster than the king and lesser lords could squander it. For the most part, their systems consisted of little more than methods for taxing the citizens, taxing incoming foreign goods, and looting other nations' ships for the gold, silver, and jewels aboard. After some years the word *economics* was dropped. In its place, the word *political economy* was coined and used throughout Europe to describe the bookkeeping and scheming involved in balancing the amount the nation could tax away from its citizens against what it needed to pay the expenses of a government living in extravagant luxury.

This was the type of thing to attract the nation's best, hungriest, and most corrupt brains. For example, in 1664 an Englishman named Thomas Mun introduced a scheme that became known as Mercantilism. His idea proved to be of great benefit to himself and to the East India Company, of which he just happened to be a director; but it also made paupers of most Englishmen. In essence, it was Mun's idea that a nation becomes more wealthy through shipping as much of its goods as possible out of the country and taking in exchange as much of the world's gold and silver as it can get. This was accomplished through the use of high tariffs, which kept foreign goods from legally entering England (thus forcing the cost of living sky-high for Englishmen), and a powerful navy to force weaker nations to buy British goods on Britain's terms. (The navy had to be paid for with taxes cruelly drawn from an already impoverished public.) The result was an extremely high cost of living, low wages, a series of wars, and ever more grinding taxes for the English people. Evidently there was something wrong with the Mercantilist idea John Law wrote about in 1717, for wherever it has been practiced since, disaster has always followed.

In France, for instance, Finance Minister Colbert put the Mercantilist system into effect and made the court of Louis XIV the most powerful on the continent. Art, science, and industry in Paris reached undreamed-of heights. But tariffs, which are the backbone of Mercantilism, and heavy taxes reached even greater

heights. A series of wars, which were indirect results of the burdensome tax systems, kept the people of France the poorest and most wretched in all Europe. Needless to say, the people didn't like it, especially when they compared their own poverty with the lavish splendor of the French court and the unchristian luxury some of their clergymen enjoyed.

It was about this time that John Law came on the French scene to introduce a new twist in Mercantilism. His scheme, to manipulate money and to issue worthless stocks and bonds through a national bank, was supposed to result in great wealth for the nation. A Scot himself, he had tried earlier to persuade the Scottish people to adopt his idea; but they quickly ran him and his scheme out of their country.

John Law had better luck in France. His brand of Mercantilism was tried there with startling results. First, John Law himself became a *billionaire!* Next, the elaborate stock-selling scheme he had cooked up, known in history as the "Mississippi Bubble," burst right in his face, practically ruining Louis XV's France. Finally, John was kicked out of France and a few years later he died, a penniless bum.

Under the next Louis, more wars, more taxes, and even greater poverty further annoyed the French people. By the time Louis XVI got into the king business, the splendor of the court of France was at its peak; but the people of France by that time had really reached the depths of poverty. It has been estimated that 140,000 idle noblemen and 130,000 equally idle churchmen were being supported by the French peasants, while more than a million beggars roamed the cities and highways. Among them, the crown, the church, and the nobility owned approximately three-fifths of the land. Little wonder that the people of France finally became angry enough to start the bloodiest revolution of all time.

But, about thirty years before the revolution, it had become dear to the scholars of France that the Mercantilist idea was leading the nation to disaster. While Louis XV danced, or carried on with Madame du Barry on an upper floor of the palace,

more important things were happening in one of the apartments below. For there, a certain Francois Quesnay, personal physician to the King, held meetings with his more serious friends. Among them they worked out a system to support the government in the lavish manner to which it had become accustomed, and at the same time to lessen the poverty of the peasants, all without burdening anyone with taxes. Ruinous Mercantilism was to be scrapped. But Quesnay didn't get very far with his plan. History tells us that one of his followers, Turgot, tried to put the new idea into practice when, after the death of Louis XV, he became finance minister of France. But he was soon "forced to yield to the intrigues of the nobility and the clergy." Evidently, there was something in Quesnay's idea that embarrassed some very important people and institutions in France. The *New International Encyclopaedia* (2nd edition) tells part of the story this way:

A wider field opened to him [Turgot] when he was called into the ministry after the death of Louis XV. The finances were in disorder, and the Social and Political System of France needed regeneration and reform. . . . His [Turgot's] first achievement was to so far reduce expenditures as to leave a surplus of 20 millions of francs a year to be applied to the liquidation of old debts. . . . He augmented public revenues without imposing new taxes. . . . He desired complete freedom of trade within the country, and to make the nobility and clergy contribute to the public revenue in the same proportion as the third estate [the common people]. . . . *But the privileged classes whose [tax] exemptions were threatened, nobles, courtiers, [tax-farmers], and financiers, united against him.* The King forsook him, and Turgot *retired.* . . . (Italics ours.)

But some good did come of Quesnay's meetings with his friends. For Adam Smith, a Scot, had traveled to France and there studied Quesnay's system. Although he didn't dare carry the full idea to England for fear of embarrassing someone, he did write a book, *The Wealth of Nations*, which contained a great many of Quesnay's ideas and clearly pointed out the stupidities of Mercantilism. In it, Smith gave the world a brand-

new idea of what the true purpose of political economy should be:

Political economy . . . proposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people, *or more properly to enable them to provide such a revenue or subsistence for themselves*: and secondly, to provide the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich *both* the people and the sovereign.

Many of England's best minds, after reading *The Wealth of Nations*, patterned their thinking along the lines Smith had borrowed from Dr. Quesnay. They were making considerable progress toward making Great Britain a strong nation without pauperizing her citizens. One of them, William Godwin, something of an anarchist, suggested rather strongly in a pamphlet he wrote that the people in wealthy countries like England were poor because most of the wealth they produced was being taken from them in rent and taxes. His arguments seemed reasonable to the little people of England, and they began to look suspiciously at the aristocracy who, as a result, were becoming genuinely worried.

But just in the nick of time, Tom Malthus came up with his famous Malthusian theory to prove that Godwin was all wrong. Tom's theory "proved" that it is because human beings multiply faster than their food supply does, that so many people must be destitute. In effect, Malthus "proved" that poverty was God's will, or the result of the niggardliness of nature. If the poor of England had to blame someone for their misfortune, Malthus implied, they should blame God. Since there was no point in their blaming God, and there was no one else, according to Malthus, to blame, the Englishmen forgot the whole thing and went back to patriotically enjoying their poverty.

The only worth-while result of the Godwin-Malthus argument was that the *poverty of the people* was at least being discussed by scholars who had formerly devoted their entire attention to the *wealth of the sovereign*. Slowly but surely one political

economist after another moved closer and closer to the solution to the age-old problem of poverty. The picture became clearer with each new writing of men like David Ricardo, N. W. Senior, James Mill and his son John Stuart Mill, Frederic Bastiat, J. B. Say, H. C. Carey, and other political economists. The possibility of a world in which poverty and war would be unknown was within humanity's grasp, when quite suddenly the world's scholars stopped short—just as if they had come unexpectedly face-to-face with some terrifying, fire-spitting, blood-soaked monster blocking their path.



At this stage of our investigation, we can only guess who, or what, that threatening monster was. That it was very real, powerful, and dangerous cannot be doubted, because political economists even to this day have stopped prying into the possible causes of poverty—and have gone back to less embarrassing Mercantilism.*

The science of political economy was stopped dead in its tracks! Universities of the world offered courses, and still do, in

* Every nation today, including our own, operates more or less under a philosophy almost identical with Mercantilism, the system that has always impoverished the people of every country that has used it, and has always led to widespread bankruptcy, business depression, and war.

political economy—at least they *call* it political economy. But with very rare exceptions they stopped teaching that form of political economy which "proposes to enrich *both* the people and the sovereign." Today in most colleges a radically modified, lifeless form, usually called *economics*, is taught instead.

So much for the birth and death of political economy, the science that was intended *to investigate the nature of wealth, its production, and the laws that govern its distribution*. But one can't help wondering what there was about the discoveries of the political economists that caused later scholars to turn about and run as if for their lives; to run like little boys who, having bravely entered a haunted house, hysterically fly homeward at the sound of their own footsteps on the creaking floor.

If the scholars really did see something they weren't supposed to see, it should be interesting to find out what it was. If by chance they did see the monster that, since the beginning of history, has been feeding upon the blood and sweat of the little people of the world, it should be easy for us to track it down. All we need do is follow the same trail the early political economists blazed—the path that began in the chambers of François Quesnay, physician to His Majesty Louis XV. Since the writings they left behind will guide us, dogging their footsteps shouldn't be difficult.

And to be sure we see the original path clearly, let's do something that should have been done long ago. It will be recalled that the expression *political economy* was coined originally to describe a method for making the king and his government rich, while those who followed Quesnay believed it should be a science that seeks to "enrich *both* the people and the sovereign." It seems quite clear that we are dealing with two different studies, and if that is true, the later one should be distinguished from the ruinous Mercantilist brand by giving it a name of its own. So, for the sake of convenience, let's combine the first

the difference between economics as taught in most—not all—of our schools, and political economy as Smith understood the term, is as great as the difference between grammar and spelling. The major differences will be discussed in greater detail in later pages of this book.

syllables of the two words POLitical ECOnomy to coin a new word: *Poleco*. And to give the word the character of a battle cry, let's pronounce our new word PO-LEE-CO. It may give us sufficient courage to look without fear upon the terrible monster that frightened the scholars when we, in later pages, finally track it down. But also let's remember that Poleco is the same science that was known as political economy to Quesnay, Turgot, Adam Smith, Malthus, Ricardo, Senior, John Stuart Mill, Herbert Spencer, and Henry George; and that economics, wherever mentioned in this book hereafter, means the study called both political economy and economics in so many of the world's universities today.

6

HUMAN NATURE THE FOUNDATION OF POLECO

Human nature will not change.

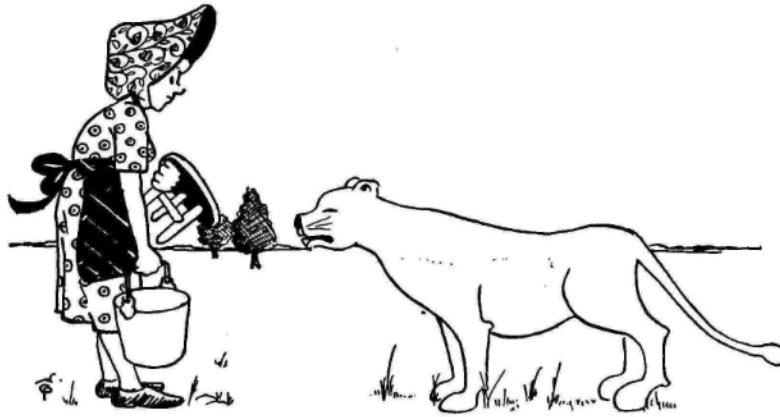
—Abraham Lincoln

A PHYSICIAN who is interested in writing prescriptions but not in human bodies wouldn't "be much of a physician. If we should hear of an architect who designed homes with neither doors nor windows, we'd consider him mad, for he hasn't considered that homes aren't homes unless human beings can get in and out of them. Similarly, all sciences must be related eventually to human beings. David Hume, Scotland's celebrated historian and philosopher, said it this way two hundred years ago:

It is evident that all sciences have a relation, greater or less, to human nature; and that, however wide any of them may seem to run from it, they still return back by one passage or another.

What Hume wrote regarding the close relation between human nature and science is so obvious that social scientists rarely disagree with him. But before we go further, let's be sure that we understand what we mean by *human nature*.

It has been recognized for thousands of years that everything has a nature. The nature of water is wetness. The nature of desert is dryness. It is the nature of a cow to enjoy having her milk taken from her and the nature of a lioness to chew off the arm of the man who tries to milk her. And, whatever the natures of things were a million years ago, they are today and will continue to be unchanged a million years from now. Similarly,



human beings have a nature all their own and we need only read ancient literature to see how completely unchanged man's nature has remained since the very beginning of recorded time.

Some may argue that man really has changed. For, as we know, early man didn't wear clothes, didn't listen to entertaining sounds over the radio, didn't even know how to make a fire. But such skills and customs aren't part of man's nature; they are but tricks that man's nature has allowed him to learn, just as a bear's nature allows him to learn to ride a bicycle, and a seal's nature allows him to learn to balance a ball on his nose.

If we do change the nature of a thing—or of man—we, destroy

the thing itself. For example, the nature of water is to be liquid. If we change its nature by boiling it, water as such is destroyed and becomes steam: a vapor. If we change its nature by freezing it, water as such no longer exists; it has become ice. Water will quench our thirst but steam can't; we can swim through water but not through ice. Water, ice, and steam are each different things, each having its own nature.

And so it is with man. It is his nature to have the power to reason, to have unlimited desires, and to try to satisfy his desires with no more effort than he finds absolutely necessary. And if we destroy man's power to reason by educating him to believe things that are contrary to his reason, if we stop him from desiring bigger, better, prettier or more things and prevent him from trying to satisfy his desires in the easiest way, we destroy a man in order to produce a brutish creature that retains the form and vices of a human, but is no more human than the Yahoos described by Swift in his story about the Houyhnhnms.

Since Poleco is the science that investigates the nature of wealth; and since wealth comes into existence only because it is human nature to desire wealth in the form of food, clothing, shelter, and gadgets, the Poleco-ist accepts human nature as he finds it and not as he'd like it to be.

It may seem to the reader that the Poleco-ist, in trying to include human nature as one of the elements of his science, is attempting an impossible job, since there are so many "different kinds of human beings": male and female; black, white, red, yellow, and brown; humans of different nationalities and creeds; rich, poor, and middle-class; workers, criminals, and beggars; lazy and energetic; intelligent and stupid; gentle and cruel; leaders and followers. Consequently, it might be supposed that, in order to understand human nature and use it for our purpose, we shall have to take the many varying characteristics of these many kinds of humans into consideration. But the fact is that, while all humans may differ from each other in many respects, they are exactly alike in those things that truly constitute their nature: all humans have (1) the power to reason, (2) unlimited

desires, (3) the inclination to satisfy their desires the easiest way they know. And so, when the Poleco-ist speaks of man, he refers actually to man's nature, and the picture of man he has in his mind looks like this:



One head represents man's tendency to do things the easiest way; a second head, holding eyes bigger than the stomach, represents man's unlimited desires, and the third one illustrates man's reasoning power.

But the reader should be assured that the Poleco-ist doesn't suggest that we breed a new species of man actually having three heads stemming from a single body. We shall have to be satisfied with man just as he is because—as we observed above—to change man into something he isn't is to change him into something that is no longer human. But, if we think of man's nature as being symbolized by the three-headed creature, we shall have a better understanding of what the Poleco-ist means by human nature.

The schemes of politicians—Communists, Socialists, Republicans, Democrats, Liberals, Conservatives and all others—usually rail because human nature rebels against being changed to fit into

the politician's plans. Too often, that is also true of the schemes of the various social reformers. If the politicians, radio and newspaper experts, the reformers, and the educators would get off man's back and stop shouting slogans and other nonsense into his ears, and would allow him to act and desire according to his nature, and would trust him to reason things out for himself, man would give the "brainy ones" a far better world in which to live than they have given him. For, sinner or saint, man is a remarkable creature.

7

THE REASON IS PART OF MAN'S NATURE

Man is a reasoning animal.

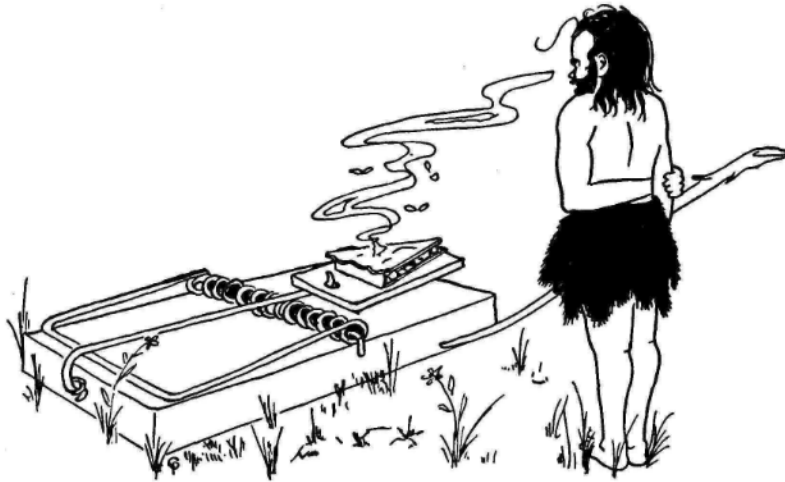
—Seneca

MAN is ABLE to build wonderfully flying machines; but that doesn't mean all humans know how to design and build airplanes. Man speaks hundreds of languages; yet very few of us can speak more than one. Similarly, although man can reason it doesn't follow that all men do. For reasoning is hard work and requires something few men have: an untroubled mind and free time. It consists of beginning with the tiniest clue, and then by tracing it to its cause and that cause to its cause, finally discovering the answer to a particular problem.

To demonstrate, let's suppose that mice had learned to make mantraps and to bait them with juicy apple pie. And let us suppose a savage who has never seen or heard of a trap of any kind suddenly came upon one that a wicked old mouse had set to catch him. If he is a normal human being and is not a confused and bewildered booby, he'd start reasoning something like this:

"A piece of apple pie. Sure does look good. But why should anyone leave a piece of apple pie on a contraption like that? If

that pie is real, nobody'd leave it lying around unprotected. Evidently it's a fake—an imitation made of colored plaster and cardboard, no doubt. But there are flies buzzing around it. Flies don't care too much for plaster and cardboard. Therefore, the pie must be real. Yet nobody would leave a real piece of pie lying around without some good reason. Wonder what the reason is? Why is the pie tied down? I can untie it, but if I do, that straight bar would be released and swing away from the pie. If it swings *away* from the pie it can't hurt me. But what are those springs doing down there? They must be there for a purpose. That big



U-shaped bar is fastened to the springs, so I suppose the springs move the U-shaped bar—but where? Oh, oh! The U-shaped bar is held down by the straight bar that fits under the tray that holds the pie—if I touch the pie, I release the straight bar, and that will free the U-shaped bar, and the U-shaped bar will swing over and around the pie! And whatever or whoever happens to be standing there at the time will get a terrific wallop."

And so, by exercising his reasoning powers, tracing cause to effect, man would avoid being caught in the pie-baited trap. Being human, he'd next put his reason to work on the problem of *how to get the pie without getting his skull crushed for trying*.

We may be sure he'd solve that one by eventually poking at the pie with a long branch and allowing the U-shaped bar to swing noisily but harmlessly down. Then, in complete safety, he'd leisurely remove the pie and eat it.

Such reasoning is the tool of all scientists. An anthropologist, for example, by reasoning, is often able to learn the probable size, weight, age and sex of a long-extinct animal whose fragment of bone he has found. Forty years before we built and exploded our first atomic bomb, Albert Einstein, through reason alone, worked out the equation $E = MC^2$, which accurately predicted the amount of energy the bomb was later to release. Columbus reasoned that if the earth were round like an apple as he had heard, ships should be able to reach eastern nations by traveling west. Columbus didn't live to see his reasoning proved sound, for he died sixteen years before Magellan's ship *Victoria* made the first complete trip around the world. Nevertheless, we now know that Columbus discovered with reason what later navigators learned with their senses.

And if we look back upon man's progress we shall find that each step he took forward resulted from his applying his reason to the solution of an immediate problem. When man was new on earth, his great problems undoubtedly were the cold of night, his uncertain food supply, and his lack of protection against the prowling beasts. Only through careful reasoning, tracing, cause to effect and effect to cause, could he have discovered solutions like clothing, agriculture, stock raising, tools and weapons. Unquestionably, man's power to reason has contributed mightily toward man's becoming master of all other animals.