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THE WONDERFUL WEALTH MACHINE

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*They [the Physiocrats] were the authors of the motto that in the English use of the phrase Laissez faire! ("Let things alone!") has been so emasculated and perverted, but - which on their lips "was, Laissez faire, laissez aller (Clear the ways and let things alone). This is said to come from the cry that in medieval tournaments gave the signal for combat. The English motto which I take to come closest to the spirit of the French phrase is, "A fair field and no favor!"— Henry George, *The Science of Political Economy**

EACH JIGSAW-PUZZLE PIECE has been placed according to its true relationship to the other pieces. Although we've ended up with something that resembles a madman's invention, it is nevertheless an accurate, smooth-running model of our economic system.

In some respects, the machine may not seem to operate exactly the way our economic system does. For example, that part of our drawing that shows wages and interest falling conveniently into separate, clearly labeled boxes, and then waiting only for the laborer and the capitalist leisurely and peaceably to help themselves to whatever wealth they find in their bins is certainly hard to take seriously. For we need only pick up a newspaper any day, or turn on our radios, to see quite clearly that the laborer and capitalist are constantly at each other's throat, each positive

he is being robbed by the other, both satisfied that it is the greediness and nastiness of the other that is responsible for all the world's troubles.

And that section of our drawing which illustrates how easy it is for man to help himself to the steady stream of capital that is carried up to him by the trayful in endless abundance is certainly more than most of us can believe. For anyone who has ever needed capital in order to go into business knows far too well how hard it actually is to get his hands on enough of it without being compelled to leave a mortgage on the pound of flesh nearest his mother's heart as security. The reader knows he must pay for the use of capital—that he can't simply help himself to as much capital as he needs, in spite of our machine's suggesting that he can.

Another thing that doesn't seem to resemble the facts of life at all is the idea of wealth tumbling into the wealth box in unlimited quantities. For we all learn after a very short time on this planet that most humans find wealth far from plentiful. Most of the world's people are hardly able to find wealth enough to keep themselves alive. Even those we refer to as "well-to-do" live in constant fear of losing the wealth they do have, of being thrown upon the charity of their relatives or children or, what frightens them even more, of becoming dependent upon the charity of the government. It has been said that most men save throughout their lives in order to accumulate enough to pay for their funerals.

The reason our machine doesn't seem to reflect our economic experiences as we actually live them is that our machine is a model of an absolutely free economic system—one that hasn't been tampered with by the politicians, lawmakers, and special-privilege groups. It is the same economic system under which the world now lives, but it is hard to recognize because it has become battered out of shape by many stupid laws written by obedient though clumsy politicians.

We might call this strange contraption the *economic system* and be done with it. But if we did, we would surely confuse our

readers, since the term *economic system* is used today to mean the bloody, boom-or-bust madness under which the world has lived so long. Our machine, as we have explained, is a model of our economic system *before* man fouled it up with his socialistic, man-made laws, rules, and regulations. It represents the "free-enterprise" system which is so much discussed and so little understood by our editors, radio commentators, and politicians.* Our machine represents a system of the *laissez faire* which the Physiocrats, originators of the term, had in mind; not the devil-take-the-hindmost *laissez faire* the communists, socialists, Democrats, and Republicans, *et al.* mean when they use the term.

For the sake of convenience and clarity, let's call the strange contraption we've put together a Wealth Machine. The name is apt, since the machine does nothing but produce wealth and distribute it. The Wealth Machine and the economic system it is supposed to represent will not be familiar to many who have studied economics during the last twenty years in our secondary schools and colleges. That is to be expected, since our machine is a politico-economic concept which is entirely different from that which today forms the basis of economics. There are vast differences between economics and political economy (or Poleco, as we have chosen to call it here). Because these differences aren't commonly marked, it might be well to compare the two subjects, side by side, before we search our newly assembled Wealth Machine for answers.

* J. S. Flink, of Rutgers University, in his *American Economy*, defines capitalism as "essentially a system of economic institutions—primarily private property, freedom of enterprise, freedom of competition—governed by the desire for profit." According to this typical definition, we cannot say that capitalism prevails in our country today. For freedom and government control, as terms, deny each other.

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DIFFERENCES BETWEEN ECONOMICS AND POLECO

We assert—and we have no doubt whatever that this view will ultimately obtain the suffrages of all—that the welfare of man is the end of political economy.—Edward Patrick Dove, The Theory of Human Progression

REGARDLESS of whether a student enrolls for a course in economics or in political economy, he'll usually find himself studying the same thing: dull, drab, and dismal economics. For no distinction is made today between the two subjects. In fact, most dictionaries list both words as synonyms. The Poleco-ist, however, insists that there is as much difference between economics and political economy as there is between psychology and psychiatry, astronomy and astrology, medical research and medicine. For, he explains, like psychology, astronomy, and medical research, political economy is a science; while economics, like psychiatry, astrology, and medicine, is an art.

He says the psychologist is a scientist* because he studies the behavior of many minds, tries to figure out a general pattern of their behavior under different conditions, and then tries to formulate a general law which will foretell the behavior of any mind under certain conditions.

The psychiatrist, on the other hand, uses the knowledge gathered by the psychologist in order to correct individual minds

* science: Knowledge gained and verified by exact observation and correct thinking, especially as methodically formulated and arranged in a rational system.

that don't seem to follow the typical pattern. That, by definition, makes him an artist.*

Or, for the sake of clarity: the fellow who tries to find out exactly what cancer is and under which conditions it most often develops is a scientist; but the practicing physician, who uses the knowledge gathered by the scientist in an effort to cure a particular person suffering from cancer, is practicing an art—the art of medicine. In each instance, the scientist tracked down the natural laws while the artist skillfully used the natural laws discovered by the scientist in order to accomplish some practical purpose.

It's the same sort of thing with economics and political economy (or Poleco, as it is referred to in this book.) Poleco is the science that tries to find out exactly what wealth is and why everyone doesn't have enough of it; why, unlike all other animals, man bothers to produce it, and how the world's stockpile of wealth continually distributes itself. Economics, on the other hand, is an art—the art of applying the knowledge gathered for him by the Poleco-ist toward explaining to his particular client why he, the client, made or lost money during the last fiscal year. Such is the general difference between the two subjects; but there are particular differences too. For example:

Poleco tries to find scientific methods which are in harmony with natural laws and by which the general welfare of all men of all nations might be improved.

Economics is used to help an individual, an individual corporation, industry, or nation make a profit.

Poleco deals only with abstract ideas (see Chap. 41) which, like all ideas, cannot be measured or weighed or counted.

Economics deals not with ideas but with actual laborers, actual amounts of money, actual quantities of shoes, ships, and doughnuts produced in an actual industry in a certain number of man-hours. In that sense, economics becomes the art of statistics and accounting.

* art: Skill in applying knowledge or ability to the accomplishment of a concrete purpose.

Poleco doesn't concern itself with money, which by its very nature is a financial term and not an economic one. Since the value of money changes almost daily and never has universal value, and since all sciences must deal in universals only, then dollars and cents, like an elastic tape measure, are useless for scientific measuring.

Economics, dealing for the most part with the financial condition of particular men, industries, and nations, must of necessity use money as its measure of values; although aware that money isn't wealth and therefore cannot be capital, the economist nevertheless usually speaks of capital in terms of money and often refers to money as capital.

Poleco doesn't accept conditions as they are. Just as the medical researcher assumes that cancer isn't a natural condition and therefore can be done away with, the Poleco-ist believes that poverty, crime, corruption, and war are not the natural condition, and that by removing their cause they can be made to disappear. Also he believes that the fact that absolutely free competition and absolutely free enterprise do not exist anywhere doesn't rule out the possibility of their existence once all obstacles to their freedom are removed.

Economics accepts conditions as they are. Just as a physician must accept the patient's condition as he finds it and then treat to the best of his ability the trouble he finds, the economist must do the best he can with the economic conditions he finds, no matter how corrupt or absurd those conditions might be.

Poleco, in its idea of labor, includes all human energy: that of the hired laborer as well as that of the self-employed; that of the employer as well as that of the employee; that of the producer of goods as well as that of the performer of services.

Economics, for the most part, thinks principally of the energies of hired manual workers and, too often, seems to restrict the idea of labor to union members.

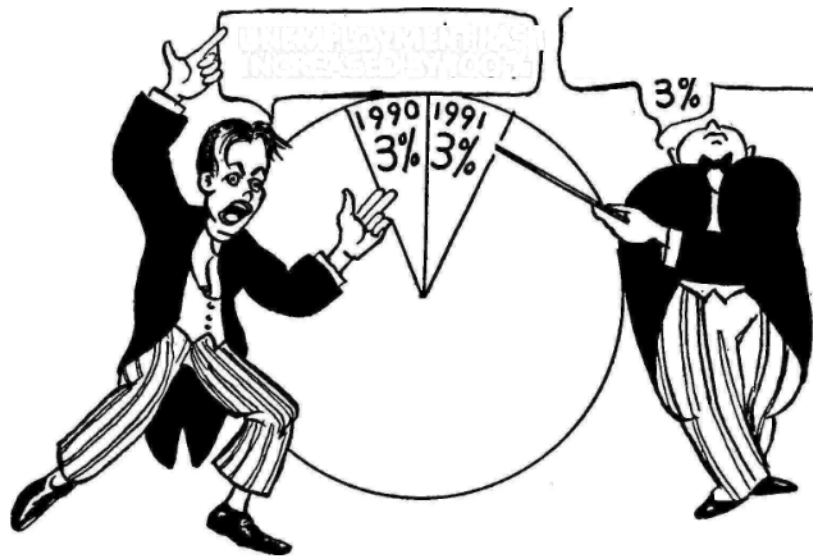
Poleco, in its idea of capital, includes only that wealth which is used to produce more wealth, and regards interest as an actual increase in the world's stockpile of wealth.

Economics generally speaks of capital as money which is invested in stocks, bonds, or a business. By borrowed capital he means borrowed money. By interest he means that which the borrower pays the lender for the use of his money or goods.

Poleco, in its concept of rent, includes that which the land will give (beyond wages and interest) to man.

Economics speaks of rent as an amount of money or share of his production which a businessman or farmer will pay for the right to occupy a particular piece of land.

Poleco, in its concept of wages, includes that part of the world's stockpile of wealth which has resulted from the human energies spent in producing that stockpile.



Economics speaks of wages as the amount of money which is paid to a hired employee in return for hours of labor.

Poleco doesn't permit the use of the percentage sign, since it is an arithmetical symbol and therefore can't be used to measure abstract ideas.

Economics, being very much concerned with statistics and arithmetical calculations, employs the percentage sign most effectively. With it and a batch of statistics, the economist can come up with any answer he chooses; invariably, he can come up with the answer most likely to please his client. For example, if 3% of a nation's population is unemployed one year and an additional 3% is out of work the next, the economist employed by the politician-in-office can truthfully show that, thanks to brilliant management, employ-

ment has fallen off only 3%. But with the same figures the economist employed by the politician-seeking-office can show with equal accuracy that, as a result of muddleheaded mismanagement, unemployment has increased by a scandalous 100%.

Poleco, like all sciences, relies entirely on natural laws—not legal ones—to bring about an equitable economic system based on absolutely free enterprise. The Poleco-ist insists that trying to control natural economic phenomena with man-written laws is as absurd as trying to do away with all neuroses and cancer by passing laws forbidding anyone to dare be neurotic or develop a cancerous growth. *Economics* doesn't question treating economic ills with man-written laws. Most economists whose opinions reach the public through publications and radio seem to endorse laws to stem unemployment, increase wages, and so on. Also, they seem to see nothing strange in laws which permit taxing those who still have an income to support those who cannot provide themselves with subsistence. Even though this thinking has gone beyond the stage of taxing Americans to provide for Americans and now includes taxing Americans to provide for Europeans, Africans, and Asiatics, few economists seem to be concerned. Since supporting the world is now written into law, economists are content to keep records of how much is taxed, how much is spent, and how much must be borrowed to make up the difference between our national income and outgo. In other words, no matter what happens to our economic system, the economist is ready and able to keep records.

There are many other differences between economics as taught today and Poleco as originally developed by the classical political economists quoted in earlier pages. But even if these differences were all, they should certainly warrant giving each subject its own name and then studying each separately.

But before we continue pursuing the villain we're after, one more slight digression is necessary. Since the economist is unscientific because he places his faith in anything that's written into law, and since the Poleco-ist claims to be scientific because he works only with natural or universal law, our next logical step

must be—even if it means wandering somewhat off our path—to compare the man-made and the natural law side by side.

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NATURAL LAWS AND MAN-MADE LAWS COMPARED

God makes all things good; man meddles with them and they become evil.—Rousseau, *Emile*

JUST ABOUT two hundred years ago one of Italy's many profound scholars, Giovanni Vico, wrote: "Dull-witted people think that whatever is expressed in legal formulas of a fixed character is just law." If that is true, most of us are certainly dull-witted, since we have learned to believe that everything that appears in law books is just. Our faith in man-written laws is remarkable, especially since they have accomplished very little, if anything, that is good. Although there are strict laws against murder, theft, perjury, gambling, and so on, we go right on killing, stealing, perjuring, and gambling at an even greater rate than before, taking care only not to be caught. There are laws forbidding almost every conceivable act, yet not one of the laws does what it is intended to do, because normal human beings don't like being forbidden to obey their natural instincts. If there is anything of which the world has plenty, it is undoubtedly man-written laws. So many have been written, no lawyer can possibly hope to keep track of even a small percentage of them. And yet the first thing we think of when anything displeases us is, "There ought to be a law passed to stop that sort of thing."

We need only compare man-made laws with natural laws to see how foolish it is for legislators to waste so much of their

time and the taxpayers' money in writing rules and regulations that can't help but violate man's natural rights.

Anyone who can read fairly well can discover a man-made law. But natural laws can be discerned only through human reason. A college degree or a special license to practice a particular profession gives no human the exclusive ability to understand natural laws, for even the least educated peasant, without realizing it, understands many of them well.

Natural laws *must* be obeyed whether or not a policeman is watching. For if we violate a natural law, the law of self-preserva-



tion for example, by stepping out of a fifty-story window into space, we are punished immediately by another natural law—in this instance the law of gravity—which pulls us down and splashes us all over the sidewalk. Or if a farmer disregards the natural laws of fertility and plants his seed in worn-out soil (while no one is looking) he's punished with a loss of time and seed.

Man-made laws punish only; but natural laws both punish and reward. If we obey the natural laws controlling electricity, we are rewarded with power, light, radio music, X-rays, and a thousand other useful services. But if we disobey those laws we are immediately punished—sometimes with nothing more serious than

a short circuit or a blown-out fuse, but other times with a burned-down house or sudden death by electrocution.

Everybody, regardless of race, color, sex, religion, politics, or social position, gets exactly the same treatment under natural law. Everyone must obey. Bribery gets us nowhere. If an airplane is stalled in midair as a result of the pilot's disobeying the natural laws governing mechanics or aerodynamics, the plane must come plunging down at a certain speed because the natural law of falling bodies says it must. All the money in the world, paid as a bribe to the most influential person on earth, can't keep the natural law of gravitation from plunging that plane and its natural-law-breaking pilot to the ground.

And yet our world leaders—Democrats, Republicans, socialists, and communists alike—go on trying to cure economic ills by writing silly little laws on expensive paper. Things like depressions, low wages, financial panics, high cost of living, strikes, wars, and poverty can't be cured that way. These brilliant statesmen can't seem to understand that wars, hard times, and economic troubles result from violating certain natural economic laws; and to write legal phrases in order to stop natural economic laws from punishing a society that dares violate them is like trying to clean fingernails with a lead pencil. It just can't be done!

For example, Congress has from time to time passed laws to keep wages from falling below a certain level. Under those laws, written in all seriousness, nobody in a certain group is supposed to receive less than so many cents per hour. The laws are debated in the halls of Congress. Newspapers run headlines and radio commentators talk themselves hoarse announcing the good times to come as a result of this new "minimum wage law." But after the laws are passed, nothing happens. The same number of people as before earn less than the "minimum wage." * Many people earn nothing at all. The only ones who do get above the "minimum wage" are those who got it before the "minimum wage law" was written. It should be obvious that if wages could be * We are speaking of course of *real* wages: foorcloshes; what wages will buy.

increased by man-made law, all Congress would have to do to make everyone prosperous would be to pass a law making \$10,000 a year the minimum wage for everyone. That, of course, cannot be done, since minimum wages, as we have seen, is fixed at the margin. As poorer land is put into use, wages *must* fall, just as surely as the sun *must* rise in the east. Natural law insists that it be so, and there's nothing lawmakers and their "minimum-wage laws" can do to change the natural order.

Laws have been written to "freeze" rents at a certain figure. After the laws were passed, the tenant's rent, so long as he didn't try to move, seemed to be fixed. But when he tried to find another apartment he had to pay his new landlord the difference between the price fixed by government and the natural price. True, he had to pay it secretly as a bribe, "under the table," in cash and in advance; but secret or not he did have to pay an increase in rent in spite of the written law freezing his rent at a certain figure. If he chose to move into a house built after the law had been passed, he found that he had to pay the natural rent, which was always much higher than the rent set down for a comparable dwelling by the lawmakers. Moreover, even if he chose to stay where he was, and had to pay only as much rent as the written law said, he found that his landlord cut down on the services formerly given. That is, the landlord didn't repaint the apartment every year as he had done in the past, janitor service became poorer, repairs were held down to a minimum, and generally the tenant received much less service for the same amount of rent, which is the same as saying rent, for service given, had gone up. Again man-written law couldn't work. Rent, as we have seen, is determined by natural law; by the movement of the margin. As poorer land is forced into use, rent *must* go up on all better land. It would be easier to control the tides, as King Canute tried to do, than to stop rent from reaching its natural level.

Various governments during the recent war wrote laws in an effort to fix prices. But, as usual, the result was always the same. That is, either food and clothing simply disappeared from the

stores, compelling anyone who wanted to eat or to wear nylon stockings or men's shirts to go to the "black market" for them, where they willingly paid the natural, though much higher, price; or the prices had to be freed by law to reach their natural level. In other words, laws written to hold prices down simply had the opposite effect: they made food and clothing extremely scarce and therefore priceless! Laws have been written to stop unemployment, to end inflation and deflation, and to prevent wars; but always to accomplish nothing more than to intensify the evil they were intended to control. For things like wars, inflation, and unemployment are the natural results of a short-circuited economic system; and nothing but removing the economic cause of such things can possibly eradicate them. Since natural laws control the economic system, it is necessary to work *with* and not *against* the natural laws if we are to cure society's headaches. But to say that man-made laws are useless in dealing with economic problems is not to say that man-made laws are entirely useless. For without any man-made laws whatever, there could be no such thing as government. And without government to enforce certain laws—particularly those that *protect the natural rights of all persons*—the strong would certainly rule. They'd rob and bully the weak to the point at which nobody would be foolish enough to produce willingly more food than he could eat or hide; or more clothes than he could wear on his back. He certainly wouldn't build himself a house if he couldn't be sure that some big muscular moron wouldn't come along to take it for his own use. Without the protection of the law, no merchant could *sell* goods, since anyone stronger than he could walk in and help himself to whatever he chose. It becomes apparent, then, that certain laws are necessary, but only those that *protect the natural rights of all persons*. Those laws that interfere with the natural rights of any of its citizens or with the economic system are not only unnecessary and useless, but are unjust as well. Jefferson summed up his idea of the sort of laws government should enforce this way:

A wise and frugal government which shall restrain men from injuring each other, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close the circle of our felicities.

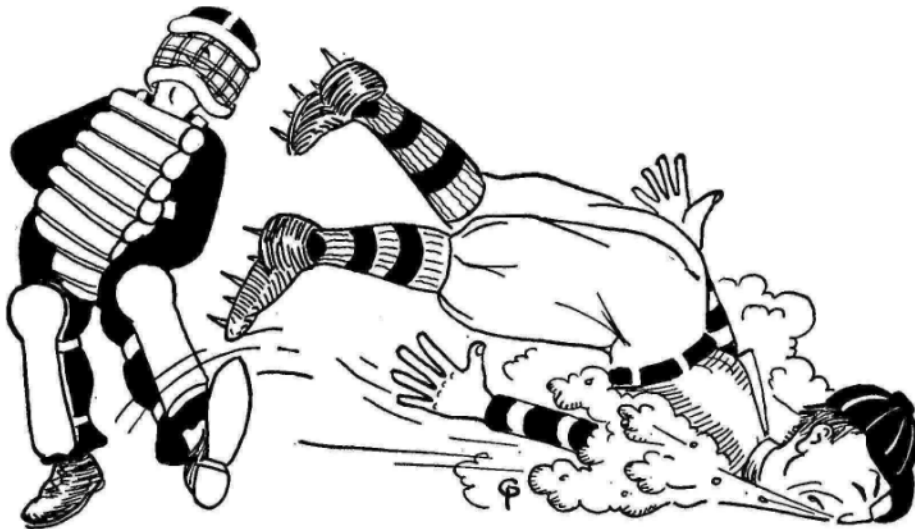
The job government is supposed to do, according to Jefferson's words, is to stop one person from injuring another *and nothing else*. Jefferson quite clearly said, in the language of his day, that government should not interfere with the business of industry, that is, should not try to regulate prices by placing ceilings on goods, by erecting tariffs, or by handing out subsidies. He also insisted that government had no right to "take from the mouth of labor the bread it has earned/" which is his poetic way of saying government shall not collect incomes taxes or any other tax that will eventually fall upon the shoulders of the laborer. Jefferson was talking about the sort of government we fought the Revolution to win. It's the kind of government the writers of our constitution tried to set up. But unfortunately we do not have that sort of government today, here or anywhere else in the world.

In some countries, like Russia, Spain, or Argentina, government has become absolute boss, leaving no natural rights whatever to its citizens. In other countries, England for example, the government has left at least a few freedoms, or natural rights, for the people. In our own country, the citizens enjoy a greater number of natural rights than people anywhere else in the world; but little by little even our government has been taking more and more authority for itself, which has resulted—quite naturally—in leaving fewer rights to the individual citizen. It would seem that government begins as the people's servant and ends up as its ruler, which is contrary to Spinoza's idea of good government as he expressed it almost 300 years ago:

It follows plainly . . . that the ultimate aim of government is not to rule, or restrain by fear, nor to exact obedience, but contrariwise to free every man from fear that he may live in all possible security; In

other words to strengthen his natural right to exist and work without injury to himself or others.

According to Spinoza, then, government is to be an umpire and is not supposed to interfere with the game. Just as the umpire in a baseball game has no right to help one team beat the other or to give any player a special advantage or to trip a base runner rounding third, government has no rights beyond guaranteeing all equal rights and permitting none a special privilege. If



that is true, it must follow that government has no right to pass laws that interfere with our free enjoyment of a free economic system. For any such law must, naturally, give one group of citizens an unfair advantage over another. And that, of course, is to fail in its duty to leave the citizens "free," as Jefferson put it, "to regulate their own pursuits of industry and improvement." That is not to say that the economic system under which we live is to be left to operate without laws or regulation *of any kind*; for there will always be very dependable *natural* laws, to keep our economic system running smoothly and with complete justice to all—if we allow them the freedom to do so.

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THE NATURE OF NATURAL LAWS

*... /or nothing that exists by nature can form a habit contrary to its nature. For instance, the stone which by nature moves downwards cannot be habituated to move upwards, not even if one tries to train it by throwing it up ten thousand times . . . nor can anything else that by nature behaves in one way be trained to behave in another.—Aristotle, *Ethica Nicomachea**

PERHAPS at this point we should explain precisely what the Poleco-ist means by *natural law*. We might just as well begin with Aristotle's explanation in his *Rhetorica*, in which he refers to it as *universal law* and says:

Universal law is the law of nature. For there is, as everyone to some extent divines, a natural justice and injustice that is binding on all men, even on those who have no association or covenant with each other.

As we shall see, the sort of law that governs our economic system is a "law of nature" that is "binding on all men," regardless of race, color, or sex, and that operates among all men, in all parts of the world, and at all times.

Many natural laws are in operation all around us. For example, there are no laws written into the law books of any nation to command the sun to rise at a certain time every day, to appear to travel across the sky at a certain speed, and to fall behind the western horizon at a precise time; yet the sun does always behave

in the same, right-on-schedule way. Why it does so nobody really knows; but that it does indeed behave in that way is known by even the most primitive savage. To describe this invisible, unknown force that keeps the planets and stars moving so orderly, scientists use the term *natural law*.

In spite of the marvelous way the sun behaves, it isn't easy to prove that there is such a thing as a natural law. We know that a man exists, because we can see him; that a flower exists, because we can see and smell it; that there is a thing like music, because we can hear it; that smoothness is real, because we can feel it; and that some things are sweet, because we can taste them. But natural laws can't be seen, smelled, felt, heard, or tasted. They can be known to exist only because our reason tells us they do. Just as color couldn't exist in a world of darkness, so natural laws couldn't exist among animals or among men who are unable to reason. With our five senses we can "see" the material things that have come into being as a result of natural laws; but the natural laws themselves can be discerned only by our reason.

For example, nobody knows what electricity is, or can even prove to everyone's satisfaction that there is such a thing. All we know is that electricity is something that behaves in a certain way. Scientists, then, say there are a number of *natural laws* that make electricity behave as it does. One of the laws, for instance, is called the *Law of Electrical Forces*, which sees to it that "like charges *always* repel each other and unlike charges *always* attract each other." And there is Faraday's *Law of Electrolysis*, which commands that "the mass of the element deposited or liberated *always* depends both on the strength of the current and on the time during which the current flows." Newton's *Law of Gravitation*, Einstein's *Theory of Relativity*, and many other natural laws have been formulated and are being used every day by science and industry; yet there are many people who just can't believe that there are such things.

We can only guess why this should be true. Perhaps those who cannot believe in the reality of natural laws have confused them with miracles, and look upon them as being the same thing. But

as Spinoza reveals in his *Ethics*, nothing could be farther from the fact. Natural law insists upon things happening the same way always and everywhere—under identical conditions; while a miracle is an event that doesn't happen in the usual way. For example, walloping a rock twice with a staff to cause water to flow abundantly from it, as recorded of Moses (Num. 20:11), is contrary to natural law. Causing the sun to stand still or to move from west to east may be a miracle, but such obedience on the part of the sun isn't in accordance with natural law. And it wasn't natural for the walls of Jericho, or any other walls, to collapse under a blast of Joshua's trumpets. That would be natural only if walls crumbled every time somebody blew a trumpet; and that, as we know, just doesn't happen.

Unlike miracles, natural laws keep things happening in one way. We can demonstrate this by imagining a man standing on a street corner in New York City and holding a stone between his fingers. If he should release the stone it will fall down. No matter how often he repeats the experiment, the stone will never rise skyward when he lets it go, it will never float sideways or hang suspended in the air; it will *always* fall straight down and *always* at exactly the same rate of speed.

If any man or woman, regardless of his color, politics, or church, should drop any stone—in China, Chile, or Chicago—it will always fall straight down. Saint, sinner, fool, and philosopher—all will get exactly the same result. The fact that a certain thing happens always in the same way, anywhere on earth, qualifies it as a natural law. If it fails to happen in the same way—that is, if the stone should float upward, even once in a hundred million tries, we can say that the natural laws of gravitation and of falling bodies aren't sound, or that the floating stone is a miracle.

Neither Congress, Parliament, nor any other law-making body can prevent a thing from happening according to the commands of natural law. All the king's horses and all the king's men, aided by the most brilliant lawyers, can't make a pumpkin grow out of a planted bean. The natural laws governing agriculture insist

that anyone wanting a pumpkin to grow must plant a pumpkin seed and nothing else. This might seem so obvious to the reader, he may wonder that we bother to put it in writing. But the truth is that world-famous statesmen, since earliest times, have not only written laws to change the natural behavior of natural phenomena, but have foolishly spent millions of billions of the taxpayers' dollars to try to make those laws work, always without success. Laws intended to make peace under conditions that naturally cause wars is typical of the lawmakers' absurd behavior. Laws attempting to forbid trade between people are especially



stupid, because trading, or exchanging goods for goods, is not only the very beginning and essence of civilization but is also an essential part of man's nature. Almost as soon as he learns to play with other children, the human being begins to trade his property for that of another.

The irresistible tendency for man to trade, stems from his *natural* desire to satisfy his wants with the least possible effort, and his reason tells him that it's far easier to exchange his surplus doughnuts for a pair of shoes than it is for him to make his own footwear. Because man must obey his nature, no matter what the lawmaker writes into the law books, he must trade. That is why the result of every law restricting trade is an epidemic of smug-

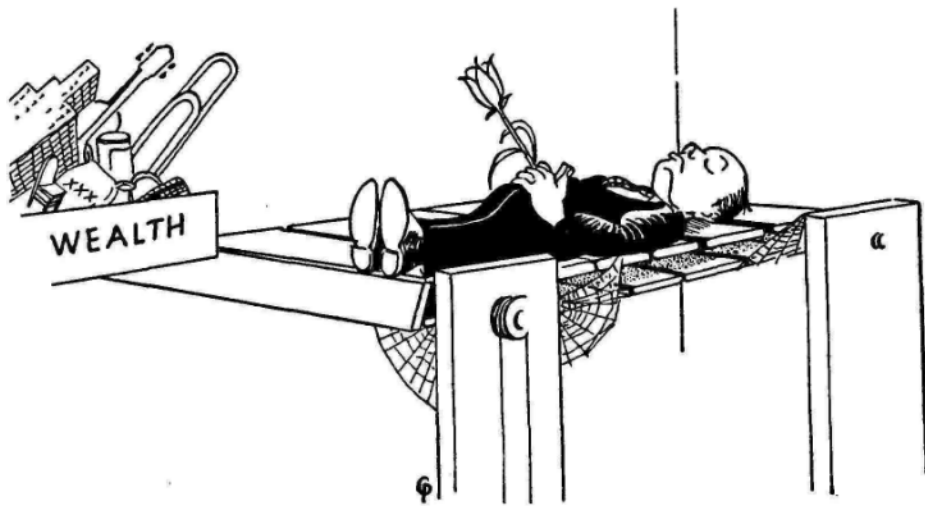
glers, bootleggers, black marketeers and gunrunners—men who spring into existence almost overnight to open up trade between peoples, in spite of the coast guard and tariff laws. What is worse, every tariff law ever written has in some measure brought hard times to the people whose leaders enforced such laws, and a bit later it has led to war. It is almost impossible to study any war fought during historical times without finding that the underlying cause, though often obscured, was a law restricting man's natural desire to trade. It would seem that the penalty for violating the natural laws governing trade between people is *always* hard times or war. It always has been so and always must be. But statesmen, it would seem, never learn.

It becomes quite apparent then that natural laws are not only irresistible but invariable as well. Most school children understand that without the mysterious force called gravity our entire universe would hurtle through space in dangerous disorder, that there would be nothing to keep us from flying off the earth like so many grains of sand in a cyclone. The natural laws that state the behavior of gravity make weighing goods, flying airplanes, and building bridges possible. If the natural laws governing fertility were not so dependable, no farmer would waste his time planting a seed. If there were no fixed natural laws of heredity, cows might give birth to goats, lions might have litters of lambs, apes might bring human babies into the world, and the human father pacing the corridor in a maternity hospital wouldn't be concerned as to whether his heir-to-be is to be a boy or girl but rather with wondering whether the stork plans to bless his home this time with a baby elephant or an alligator. The natural laws that control our economic system are equally invariable. And yet many economists ignore them completely in dealing with the world's economic problems.

That *man's desires are unlimited* is a natural law governing human nature (see Chap. 33). Moreover, as we can see in our drawing of the Wealth Machine, it is man's unlimited desires that keep the machine in motion. If it is true that man's unlimited desires *keep* our whole economic system going, we should

be able to prove it by comparing man with no desires, man with some desires, and man with unlimited desires. If we find that man's production of wealth and other satisfactions increases when his desires are most numerous; if we find it grows less as his desires are lessened, and if we find that his production stops completely when his desires are entirely eliminated, we will have proved that the little man in our drawing, with his hands hungrily outstretched, does indeed keep our economic system in motion.

Even to imagine a condition under which man has no desires



whatever is difficult, because all living things—plants and animals alike—have some desires. True, only humans have *unlimited* desires; but the fact that all animals and plants devote almost all of their lives searching for enough to eat is evidence that even they have desires, at least for food. And so, to imagine the wealth-chasing little man in our drawing to be without any desires is to imagine him literally dead. It must follow, then, that if he were dead no wealth whatsoever would be produced, since wealth is a product of man's labor. To say the same thing in another way, if all men were without desires, all would be dead, and the economic system would not only stop working but wouldn't even exist.

It is somewhat easier to imagine a situation under which man has at least a few desires. In a very primitive society, for example, man would have few. Man can't desire what he has never heard of. Since he has never heard of automobiles, kiddie cars, telephones, filet mignon, apple pie, or ice cubes, it's hardly likely he could desire them. We might agree then that primitive man's desires, as compared with our own, are very limited. A few animal skins, woven grass mats, simple weapons, rude huts, and whatever food he might find or kill, constitute almost all the wealth he desires and, similarly, all the wealth he produces.

It isn't only among the savages that desires are few. People living under socialism, communism, or under any dictatorship soon learn to desire only as much food, clothing, and shelter as the law or their income allows. To avoid punishment, they are compelled to limit their desires. And, as we might expect, production of wealth in socialistic countries is extremely low. Under such conditions of limited desires, we might imagine the little man in our drawing moping along rather than running.

In countries where food, clothing, and shelter are scarce *at any price*, people have few desires because they know it is pointless to desire that which doesn't exist. Under such conditions, production of wealth stops almost completely. Events in post-war Germany provided an excellent example of that. Immediately after the war, there was very little of anything the Germans could buy. Food, clothing, and shelter could be had only at exorbitant black-market prices. It became almost impossible to get the famous-for-their-industry Germans to go to work. For they knew that any wages they might earn wouldn't buy anything, because there wasn't much offered for sale in the open market. Since wages that wouldn't buy anything were no better than no wages at all, German men, women, and children preferred working for themselves, shamelessly collecting dirty and rotting food from garbage dumps. Such labor paid better than working in factories and mines for wages that would buy no food at all, since even putrid garbage, they found, was more nutritious than nothing whatever to eat. Later, fortunately, our govern-

ment made food and clothing available in Germany. Wages, as a result, *would* buy something! Immediately the Germans deserted the garbage dumps and went back to the factories and mines to produce the goods so badly needed in war-ruined Germany. And so we saw that when their desires for food were no longer curbed by scarcity, they desired more and consequently produced more. As a result of trying to satisfy their increased individual desires, the entire nation's production increased—the economic system began to operate again; or, we might say, the little man with outstretched arms, seeing a possibility of getting the things that could satisfy his desires, got back up on his feet and sprinted after them.

A convincing example of what happens when man is completely free to satisfy his desires is the condition that existed during World War II in our own country. At that time, there were more high-pay jobs than people to fill them. Everyone who wanted a job had one. Even the very young, the very old, the feeble, and the crippled were earning wages and spending them. To earn those wages, almost everybody worked to produce goods. And the result was enough food, ships, planes, munitions, and other war goods to supply the entire world at war. And, as if that weren't remarkable enough, they built and equipped a two-billion-dollar project in which the world's first atom bombs were built.

Russia, during the same period, was run along socialistic lines. Russian desires were strictly limited by law. Not the Russian people but their government decided what food, clothing, and shelter should be desired. Limiting their desires, naturally, limited their production. Russians produced no more goods than were necessary to escape punishment, because no human will exert more effort to satisfy his desires than he has to. Consequently, the Soviet Union, after preparing for war for more than twenty years, was unable to produce enough food, clothing, and weapons to keep the German army, one-third the size of her own, from chasing the courageous Russian troops halfway to China. Nor did she stop her "strategic retreat" until made-in-

America supplies were delivered to her in American-built ships. Since human beings of all nationalities are equally capable, we should expect the Russians to have been able at least to supply themselves with food, clothing, and weapons. For Russia had all the advantages over us: more labor power, more natural resources, and more time to prepare her war industries. Moreover, she had large industrial areas designed and engineered by experts who, shortly after World War I, brought their "know-how" to Russia from every nation in Europe and America. The only advantage we had was that our people were free to satisfy their unlimited desires each according to his own nature, while the Russians' desires were limited by man-written laws. To limit desires, by any means whatever, is to limit production—that's a natural law!

Another natural law—*man -will seek to satisfy his desires with the least possible effort*—adds power and efficiency to our Wealth Machine. That law is represented by the lazy little fellow perched alongside the Labor Bin. Just so long, and only so long, as he finds that capital will help him satisfy his desires with less effort, he'll continue to add capital to his labor.

The three little men below are controlled by the same law. A bill written by Parliament or Congress compelling man to toss his surplus wealth onto the moving belt so that it might be carried to the Capital Bin would be useless. Man's nature alone, his desire to gain wealth with a minimum of effort, is all that's needed to keep the three little men filling the Capital Bin, provided of course that government doesn't interfere by taxing the earnings of their capital away from them. They don't invest their surplus wealth as capital because they love their fellow man or their country, but because doing so offers them a chance to earn more satisfactions for themselves with a minimum of effort.

It is quite different in socialistic countries, where government tries to control the amount and kind of capital to be produced and used by its citizens. Under government control, important officials write out strict orders commanding that so many trucks, so many cows, so many tons of coal, and so on be produced by a

certain date. In fact, one of the Marxists' bitterest criticisms of our capitalistic system is aimed at our tendency to produce *too much* capital. Consequently, they insist, the free-enterprise system is too wasteful; under their system of *controlling* the economy with their laws and punishments, they say, there'd never be too much. And that cannot be disputed; for in socialistic countries there not only is never too much, but in spite of their scientific planning and diligent police force, those governments rarely manage to get even *enough* of the right kind of capital to the right place at the right time. Why? Simply because government-controlled economists overlook one important factor—the inexorable operation of natural economic laws.

These, then, are the two natural laws governing all phases of production: (1) *man will seek to satisfy his desires with the least possible effort*, and (2) *man's desires are without limit*. One or the other of these natural human qualities compels men to work when they'd rather loaf; compels them to exchange their goods peaceably rather than steal from one another; compels them to consume only part of their wealth so that they might use what's left as capital to produce more easily the food, clothing, shelter, and other satisfactions they desire; compels some men to choose to be doctors—others, dock hands. Wherever we do not see these laws operating we are sure to find some sort of man-made law forbidding humans the opportunity to follow their nature.

There are three natural laws governing the distribution of wealth after it has been produced. They have been explained in earlier chapters which dealt with rent, wages, and interest. It might be well here to formulate them:

The Law of Rent. The rent which any land will yield is the excess of its produce beyond what would be returned to the same capital and labor if employed on the worst land in use.

The Law of Wages. Wages is governed by the margin. It falls as rent as a proportion increases, and rises as rent as a proportion falls.

The Law of Interest. Interest, like wages, is governed by the margin. It too rises as rent falls as a proportion, and falls as rent rises. The *rate* of interest equals the average rate of increase of all *live* capital, plus insurance against risk.

Like the two natural laws governing *production*, these three natural laws governing *distribution* may be seen operating everywhere, at all times, and always in exactly the same way. Again, if at times they do not appear to be working naturally, we may be certain that, somewhere along the line, man in his limitless conceit has attempted to restrict free enterprise with his man-made laws.

That's all there is to the economic system. We have deliberately made no mention of taxation, because it is a political device rather than economic. Nor have we spent much time on foreign loans, international banking, monetary reforms, or stock-market investment, since such matters are by nature political, financial, or a mixture of the two but not at all economic. That is not to say such things do not affect the economic condition of men. They have just as much effect as an invading army, a dropped atom bomb, or a hurricane and are just as totally unrelated to the natural economic system. Finance and politics are man-made institutions which can change as fast as Congress can write and pass a new law. The economic system, contrariwise is not subject to change.

The reader who has had the patience to follow this author step by step through all his ramblings should have far less trouble from now on in finding reasonable answers to the problems we originally set out to discover. If he should examine the Wealth Machine closely, always bearing in mind the *exact* nature of each of its parts, he will discover solutions to many problems he believed beyond solution, and answers to questions he once believed to be completely unrelated to our economic system.