

V. ECONOMICS OF THE NEW FRONTIER: FOUNDING FATHER AND FIREBRAND

"Truth does not happen, it just is." Hopi

"Dreams are wiser than men." Omaha

Succinctly stated every school of economics champions a certain class of people and anathematizes others. The Mercantilists were in the King's pay and hence it is not surprising that they championed the King and his traders pretty thoroughly to the exclusion of every one else. Marie-Antoinette's cynical and ignorant "May they eat cake!" far from being a slip of tongue seen as a Freudian slip accurately epitomizes the worldly philosophy of that dreadful age. FDR, ages later, would not coincidentally call his reactionary adversaries "economic royalists". And without the slightest schadenfreude one may add that these dismally ignorant, uncompassionate, and cynical rulers were calling for the guillotine that finally decapitated them. What goes around comes around and if you make your livelihood in feasting on the murder, subjection, and enslavement of whole peoples chances are that you are eliciting forces of destruction that ultimately shall turn against those who called them.

The Physiocrats championed the farmer and landholder, anathematized the landlord and did not take into account any other economic class. A mistake that may be partially pardoned by the fact that the other classes: industrial laborer and capitalist that is, were not as yet strongly developed. A mistake it was all the same!

The classical economists deserve the merit of trying to strike an early balance in championing all the principal classes they as yet perceived. Landholder, laborer, and manufacturer or "artificer" as was then the expression of the day of what would in the 19th and 20th Century become the industrialist or industrial worker. Their anathema hence only goes against those earlier thinkers who did not come to the same synthesis, albeit, they were standing on their shoulders and could not have evolved their comprehensive system without the groundbreaking work of the earlier pioneers.

Is it a coincidence that in most anthologies of economic thought Americans - until recently - figure only to a minor degree? Did American thinkers have nothing to contribute to the history of liberating economics? Or were they underrated and systematically excluded precisely because they did too good and thorough a job in 'dreaming out' economic freedom? Until the advent of Henry George and

Thorstein Veblen we shall look at four of the early economists: Benjamin Franklin, Thomas Paine, Thomas Jefferson, and Alexander Hamilton, as well as two thinkers equally not associated exclusively with economics, but who reflected upon problems regarding economic fundamentals as intelligently as any professional economist, who immediately preceded George, and demonstrably influenced him: Ralph Waldo Emerson and Henry David Thoreau.

Who of the last six now belongs to what school of economic thought?
We shall see.

“Early to bed early to rise makes a man healthy, wealthy, and wise.”
“God helps those who help themselves.”

These and other popular wisdoms from Poor Richard’s Almanac became as much part of the American language, indeed the American experience and heritage as Shakespeare’s expressions in England or Goethe and Schiller’s sayings in German, and Moliere and Voltaire’s wordplays in French. Everybody has heard them and they mark not only a milestone in the history of thought of enlightened Puritanism they may serve well as economic precepts of an Economy of the New Frontier.

It was actually the Physiocratic French minister of Finance Turgot who knew him personally and liked and admired him who paid Franklin the highest respect:
“He snatched the lightning from the skies and the scepter from tyrants.”

It is not exaggerated to say that if Jefferson was the philosopher behind the Declaration of Independence Benjamin Franklin (1706-1790) was the mastermind behind the birth of the nation. He was the most respected of statesman and would have been the logical choice for first president except that by that time he was too old and ailing and had to have his speeches before congress read by others. He came to create the office of US-Secretary of State as well as its original office holder, albeit, it was called that only later under Thomas Jefferson. The nascent States had to catch up with the velocity of the conception of their founders. Franklin may well have been with Jefferson the last of the American renaissance man, but among his multifarious careers as writer, publisher, scientist, inventor, diplomat, post master general, entrepreneur a knowledge of political economy usually does not feature. So why are we treating the ‘founding father of the founding fathers’ as an economist?

Jack-of-all-trades he certainly was, but contrary to the wisdom of this ‘Poor Richardian’ proverb the conclusion does not follow, he actually was master of

many. And the evidence that he contributed to economics is circumstantial but strong. For starters the collection of even today still popular 'Poor Richard' apothegms were reprinted very pragmatically as *Way to Wealth* which alone would qualify him according to Henry George by dint of the subject matter more as an economist than any of his so-called modern colleagues who do not even bother to define the object of their studies. Let's have a look at a selected bibliography of Franklin's texts on the subject:

- ξ On the Necessity of Paper Money, 1729
- ξ Way to Wealth/Poor Richard's Almanac, 1732 – 1757
- ξ Observations Concerning the Increase of Mankind, 1751
- ξ Positions Concerning National Wealth, 1769

It is true that his publication of *On the Necessity of Paper Money* at age 23[sic!] was not entirely disinterested. Franklin had just secured an early government order to print paper currency for the state of Pennsylvania. He must have felt at that point that he might as well explain to his fellow-citizens to go ahead now and use it. The advantage of his *Way to Wealth* publication over all other fellow economists (excepting as seen Henry George and Heilbroner) was that it was highly intelligible and after the Bible had probably the single most all-overriding influence on shaping the mental climate of the nascent nation and defining its national character. That it was mostly a translation and adaptation of Old World proverbs to New World ways with little originality of his own matters little – it hit the spot and truly expressed a great Nation-Soul in its very birth pangs.

His Observations Concerning the Increase of Mankind in which he inquires into the relation between population and the means of subsistence he anticipates Malthus by half a century without sharing his ridiculous reactionary conclusions. And finally in his *Positions Concerning National Wealth*, he approaches Physiocratic positions regarding the predominance of land in the creation of wealth again without falling into their trap of treating land value as economically exclusive! His respect for Turgot was mutual and he shared the Physiocrats early distrust of unfettered commerce and manufactures, or industry as we would say today.

What lifts Franklin with Adam Smith, Thomas Paine, and Thomas Jefferson above the fray of their contemporaries is that he like them had an uncanny rapport with the future! In other words he sensed issues and developments as economically and politically important that would only really fully unfold generations after his death. That plus his unassuming personality and plain style makes him intensely post-modern and immensely readable. In this context it must

be mentioned that in the Albany congress of 1754 he drafted an early 'Plan of Union' against the French and the Indians, way ahead of his time. And in an early land issue he got into a scrape with Thomas Penn, the governor-state-proprietor of Pennsylvania over the need to tax the 'noble landlord's' estate, here equal to the state boundaries!

To determine Franklin's position and dynamism of thought within the context of the great Schools so far researched it is conducive to look at some of his most representative and most overtly economic proverbs from *Poor Richard's Way to Wealth* which was indeed to be a mantra towards national wealth as it was so intended by its illustrious emcee.

ξ "Kings and bears often worry their keepers" nobody could have used as a maxime who had not spent considerable time at the royal courts of the great colonial European powers and seen the sheer cruel non-intelligence and waste of a then only dimly perceived GNP not to talk about the callous indifference towards the plight of the many who were expiring in drudgery for the spent-thrift "not-that-happy royal few". A Prince Harry who can't help but disclose his most lofty aspirations in wearing a swastika arm-band at a royal costume party 2005 makes that cruel point that royalty hasn't learned and will not learn anything from time immemorial till Kingdom come with embarrassing persistence, nevertheless this kind of proto- or post-Fascism was rather the accepted norm then the protested exception at the time Franklin wrote. His following proverb which strikes us as somewhat crude today still becomes intelligible in this light in its cold fury over the senseless pretenses and abuses of power and the gloating over the inequality of Man:

ξ "The greatest monarch on the proudest throne is nevertheless obliged to sit upon his very own arse"

ξ "Hunger never saw bad bread" anticipates both *Common Sense* and *Progress and Poverty* by a considerable period

ξ "The poor have little, beggars none; the rich too much, enough not one" expresses the same thing in other words plus it indicates a pre-ponderated balance-of-trade theory that it would be worthwhile to extract from Franklin's other economic writings

ξ "A rich rogue, is like a fat hog, who never does good till as dead as a log" even anticipates *The Communist Manifesto* in its hatred of the unjust exploiter

ξ "Laws like cobwebs catch small flies, great ones break through before your eyes" makes clear that Good Ben had no delusions whatsoever as to the judicial system being able to persecute much money-cushioned perpetrators and speculators

- ξ “The absent are never without fault, nor the present without excuse” could be taken as a guide-line for the trials of those who got caught red-handed in the cookie-jar of illicit speculative profits. Many a lawyer’s fee for the ‘poor rich man’ could be significantly reduced in taking recourse to America’s erstwhile Founding Father. Who said since the 1750s there is something new under the sun?
- ξ “Buy what thou hast no need of and ere long thou shalt sell thy necessities” Many a celebrity could have been saved from monetary distress ...
- ξ “Drive thy business not let it drive you” again goes against the grain of any command or tradition economy that was so rampant in Franklin’s days
- ξ “He that pays for work before it’s done, has but a penny worth for two pence” explodes the main tenet of the wages-fund-theory before it was even conceived by Ricardo. Who says even an aristocratic London financier can’t learn from his peers at the New Frontier?

And as far as the economically vital term “wealth” is concerned Franklin, unlike many of his contemporary colleagues had no definitional qualms whatsoever:

- ξ A man does not possess wealth it possesses him
- ξ Wealth is not his that has it, but his that enjoys it
- ξ Sell not virtue to purchase wealth, nor Liberty to purchase power
- ξ Of wealth and power, what can be more great? Nothing – but merit in a low estate
- ξ “Can wealth give happiness? look around and see,
What gay distress! What splendid misery!
Whatever Fortune lavishly can pour,
The mind annihilates, and calls for more.
Wealth is a cheat; believe not what it says;
Greatly it promises, but never it pays.
Misers may startle, but they shall be told,
That wealth is bankrupt and insolvent gold.”

The first two clearly demonstrate a dynamic understanding of the economic cycle close to the Physiocrats as opposed to the childish static Mercantilist conception, and the next two express that kind of stalwart enlightened Puritanism that was necessary to distinguish the New World through blood, sweat, toil, and tears from the corruptions of the Old. The last one overtly proclaims the utter economic failure of the Mercantilist or Protectionist system. It was precisely that old world of the utter misery of the many disenfranchised and the full gold coffers of the “not-that-happy few” (which did not save them from the guillotine!) that Franklin and his brethren in the spirit were trying to get away from.

ξ “If you know how to spend less than you get, you have the Philosopher’s Stone”, a stone it seems that escapes many an unhappy billionaire even in our days! May kings and those who have to pass through a needle’s eye never learn?

For good measure we may conclude with a strain of Franklin’s economic thought that takes up Hume’s economic psychology:

ξ “The proof of gold is fire, the proof of women gold, the proof of man, a woman”

ξ “Creditors have better memories than debtors!”

ξ “God heals and the doctor takes the fees” The same goes for lawyers, bankers, financial consultants et al if one inserts “takes care of business” for “heals”

ξ “Those who pay for what they buy upon credit, pay their share of this advance. He that pays ready money, escapes or may escape that charge”

ξ “After crosses and losses men grow humbler and wiser”

ξ “There are no ugly Loves, nor handsome prisons”

ξ “Fish and visitors stink after three days”

ξ “What maintains one vice could bring up two children”

ξ “Lend money to an enemy and thou’lt gain him, to a friend and thou’lt lose him!”

ξ “Who is strong? He that conquers his bad habits! Who is rich? He that rejoices in his portion!”

In his political and diplomatic career he early on adhered to the very commonsensical principle of taxation in the colonies needing to be a prerogative of the representatives of the people that are being taxed. When the first part of Franklin’s diplomatic career came to a close with the shots fired at Lexington and Concord he did not hesitate to publish *Rules by which a Great Empire [meaning Great Britain] might be Reduced to a Small One*, a pamphlet that was not only amazingly premonitional and addressed to the ruling class of the empire, a pamphlet that may be read with great benefit today by neo-conservative Washingtonians whose humble dreams of nation-building have grown up to empire-building, world-building, monopoly globalization, and more. In contrast and as an outpost to Franklin in the unusual part of trailblazing New Frontiers economist he supported efforts on behalf of the abolition of slavery in the 1st congress and through most of his political life. Again why is slavery an economic issue? Because it is not only a humanitarian outrage it does “not even pay economically” as Adam Smith tells us, the slave disenfranchised from the fruits of

his labor will consequently work as little as possible and only under coercion, the owner of the fruits of his own labor and freeman on the other hand will be motivated by making it on his own fairly and squarely with the least coercion whatever.

What School of thought now did Franklin belong to overall? Clearly he was opposed to Mercantilism. To answer that question more exactly will be easier after tackling two other questions: the issue of freemasonry and the question of deism. But to do that will be more appropriate after we looked at our next hero. Benjamin Franklin was besides so many other things America's first economist. Further if Jefferson, indeed, was the American Sphinx Franklin then was the American Oracle, both in those functions were alone in their timelessness.

"These are the times that try men's souls."

Thomas Paine's battle cry against oppression and tyranny has been reverberating throughout the ages and across the continents! No single man in any known age incarnated the future that would break into the present 1776 in the US and 1789 in France like Thomas Paine (1737-1809) with the possible exception of Voltaire, albeit Voltaire never had the hands-on quality of his American brother in spirit, Voltaire was a so-called desk-perpetrator who brought the future into the present like a clerk punching railroad tickets. Risking his personal life, liberty or fortune? Not if he could help it! Thriving on paradoxes, class clashes, social conflicts and the scandals of the callous rich works nicely on paper, a kind of high-brow philosophical yellow page journalism, but not at risk of one's own skin. Even revolutionaries have bourgeois sensitivities!

Paine, on the contrary, - to borrow a striking image of the German historian Ricarda Huch about another revolutionary - was "like a pre-maturely bright spring day in the winter of despotism and discontent", so much ahead of his time that the old world treated him like a common thief and criminal! He had a refreshingly spontaneous, diehard, reckless, firebrand, enfant-terrible, prodigal-child, boy-wonder give-away quality, a kind of Orson Welles of futuristic politics and economics. Its easy to put such bellwether geniuses down for their personal shortcomings - they no doubt had many - nevertheless they epitomize for better or worse the bold spirit of the New Age with all its blood, shrieks, helplessness, inevitability, and birth pangs. If Franklin personified the crude dignity of the yet to be brought about republican statesman, Thomas Paine, not unlike his Doubting-Thomas Gnostic namesake, exemplified the harbinger of a New World that was to obliterate the old and bury the whole British empire under its oestrus. The old world held him accountable, how could it do otherwise? not realizing unlike he

realized it that it was dead and a corpse with nothing more than skull, skullcap, and bones rattling in the judge's seat. The New World received him with a million cheers, fireworks and rhythm drums! Let the dead bury the dead, and let the living celebrate the living!

Both Adam Smith's and Henry George's fathers were custom officials. If nothing else that alone would have sufficiently fired their life-long free-trade commitment. Thomas Paine one-bettered or 'one-worsted' both luminaries of thought in a historically unprecedented one-upmanship. Among a number of dead-end early life experiences of Paine can be counted the occupation of the "exciseman" – excise in his times was what later was to be called a 'sin tax', meaning a tax on spirits and tobacco, hence an exciseman was a tax collector of just these kinds of luxury goods that fall most heavily on those who have barely any other means of diversion. Young Bernard Shaw comes to mind who made his first money as a boy working for rent-sharks, an experience that made him a Georgist even before having read one line of the great economic visionary.

It is futile to dwell on Thomas Paine's early life, a series of set-backs, blind-alleys, disappointments, frustrations, and difficulties that we all only know too well and that would do justice to the literalness of his name. Suffice it to say that in 1774 he heard the liberty bells pealing from yonder the sea, and repeating the physical feat of Columbus in the traditional and socio-political realm he broke with his past and traversed the infinite ocean without falling off the globe of the known world of the tried-and-untrue life in subjection of a string of arbitrary petty-mongering monarchs. The expression "the world is my oyster" might have been invented by a monarch except that 1) this presupposes an I.Q. commonly absent in that position 2) if one had been capable of coming up with such metaphor he would have been taking it literally.

Paine, instead, embarked on a series of unprecedented adventures and like Henry George had the mental acumen to share his experiences by dint of his quill feather with his contemporaries as well as us, his posterity. January 10, 1776 he published *Common Sense* which might have done more to stay the then invincible British Empire – we have to remember it was at that time the "empire in which the sun never sets" that is the whole globe in an unfortunate anticipation of today's globalization issue was under the subjugation of the British crown - than all the cannons ever ignited against it put together! And it behooves us to further remember the question as if the lack of intelligence of a bully at the head of a nation never had been an issue before! The George's on the throne at the time, if they were not outright of the demented kind came from Hanover and prided themselves of not learning English. It seemed to them none of their disadvantage

that they didn't understand what was going on, they - and that was their ultima ratio and secret weapon, were part of the "we-can-always-eat-cake" crowd - an option that most of the world population vegetating at subsistence level decidedly didn't have.

This center-of-the-world, fire-of-the-future pamphlet was soon followed by several vibrant tracts called aptly *The Crisis*. Men's souls were sorely tried, indeed! And the one thing that wouldn't help was business as usual aka laissez-faire. When the house is on fire you have to rescue what there is to rescue, "eating cake" may cause constipation, overweight, diabetes, and early death. The one thing that it doesn't do is save the day. The 'you and I' of 1776 had caught on to this, royalty hadn't! That is one of the reasons why most royalty is no longer with us. You and I still are, though - salt of the earth that we may well be with the rest of our human brethren. If necessity or here its step-sister crisis is the mother of invention too much cake in the larder sure isn't!

With Lafayette and a handful of others Thomas Paine shares the rare honor of having been an active agent of both the American and the French revolution. So he was able to decipher the writings on the wall and the signs of the time like very few of his contemporaries. The *Rights of Man* followed in 1791 and 92. Today these are called human rights and they are cemented in the American and the French Constitution, in the United Nations Charter and the Charter of the European Union which in turn are the template of other socio-political congregations around the world following the wake-up call of Human Dignity and Lady Liberty. I have often said, if you are not interested in human rights you have serious reason to worry, because the only way that can be so is if you are six feet under!

Strangely and paradoxically enough we seem to be more often than not to be surrounded by a surreal collection of walking dead while the one man who is physiologically speaking supposed to be six feet under since 1809, here namely Thomas Paine, seems to be very much alive, kicking and with us in our present age. Perhaps that paradox can be explained by the fact that we just might be getting ready for another unconditional break-in of the Future into the present. What doesn't help in this case is to ruminate the '2nd thermodynamic law of the loss of energy' in Physics or the 'Iron Law of wages' or the 'Law of diminishing returns in agriculture' all of which have been exploded as scientific fiction made obsolete by a new paradigm shift. What shall definitely help in times of tectonic social rupture and political tsunamis is the return to Paine's battle-cries of the Future. In London Prime Minister Pitt tried Paine for treason: Chief incriminating evidence his *The Rights of Man*. Our hero had the good sense to

escape to Paris to be elected into the French Convention. The *Age of Reason* 1794 and 96 followed. That was precisely what mostly bypassed his opponents still caught in Hobbesian wolf-eats-wolf rituals and Neanderthalian politics. 1797 *Agrarian Justice* followed in which Thomas Paine in parts anticipated Henry George by nearly a century. Against a background of social romanticism later elaborated by Chateaubriand and Fenimore Cooper he here juxtaposes the Native American with any "higher" civilization and rightly concludes:

"The life of an Indian is a continual holiday, compared with the poor of Europe; and, on the other hand it appears to be abject when compared to the rich. Civilization therefore, or that which is so called, has operated two ways: to make one part of society more affluent, and the other more wretched, than would have been the lot of either in a natural state. It is always possible to go from the natural to the civilized state, but it is never possible to go from the civilized to the natural state. The reason is that man in a natural state, subsisting by hunting, requires ten times the quantity of land to range over to procure himself sustenance, than would support him in a civilized state. ... the first principle of civilization ought to ... to be, that the condition of every person born into the world, after a state of civilization commences, ought not to be worse than if he had been born before that period." [AG, 610]

Paine comes to the Georgist conclusion that the earth in its natural uncultivated state is the common property of the human race and from a communal ground rent or land-tax and the discontinuation of inheritance he proposes what today would be called a citizen's dividend.

Had Paine not escaped the long arm of the British imperial government he would have been clubbed to death like a dog in one of her majesty's dungeons. On the new shore of the New World his friend Thomas Jefferson disseminated the Rights of Man and made them the principle of a new political methodology of Freedom. The Lords who despised him are long rotting in their crypts, but Paine's battle cry of Freedom is still reverberating from the mountaintops of human dignity.