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## The Entitlement State that Nobody Mentioned

by Richard M. Ebeling

The Republican and Democrat Party Conventions are now behind us. But through all the cheers and jeers, hoopla and poopla, warnings of a dark and dangerous future or promises of a bright and beautiful shape-of-things-to-come, one of the most serious shadows hanging over America was hardly mentioned at all: the unsustainability of the "entitlement" programs of the welfare state.

In fact, Clinton and the Democrats have proposed to both maintain and expand the redistributive state, and Trump has expressed his intention of not challenging Social Security or Medicare.

### Growing Government Debt as Far as the Eye Can See

In July 2016, the Congressional Budget Office (CBO) issued its "2016 Long-Term Budget Outlook." Looking over the next 30 years from 2016 to 2046, the CBO estimates that the federal government's debt held by the public will increase from its current level of equal to 75 percent of Gross Domestic Product (GDP) to 141 percent of GDP in 30-years time. The national debt will be far above its previous high of 106 percent of GDP shortly after the end of the Second World War in 1945.

This will be due to an unending stream of annual federal government budget deficits between now and 2046. Indeed, the CBO has projected that beginning in 2022 the U.S. government will be once again running over \$1 trillion annual budget deficits, and growing from there.

By 2046, assuming no change in the current legislation concerning eligibility, demographic trends, and taxing and spending laws in effect, the CBO anticipates that in 2046 expenditures on Social Security and major federal healthcare-related programs (Medicare, Medicaid, ObamaCare, etc.) will absorb around 50 percent of all federal government spending.

Social Security expenditures will increase by 28 percent and those major healthcare-related programs will grow by nearly 62 percent between 2016 and 2046. In addition, since tax revenues will fall far short of all of this spending by Uncle Sam, the net interest on the federal government's debt will increase by over 400 percent, from 1.4 percent of GDP today to 5.8 percent of GDP in 2046, the CBO projects. So by 2046 nearly \$6 of every \$100 collected as tax revenues by the federal government will be spent just paying the net interest on money borrowed to cover earlier government deficit spending.

### "Entitlements" Mean Plunder

Both Democrats and Republicans take it for granted that "Big Government" and the Entitlement State here to stay. Even most of those Republicans who emphasize the need for "reforms" in the "entitlement" programs such as Social Security or Medicare do not challenge the idea that these programs are permanently part of the American political landscape. They merely wish to make them more "financially sound," or "cost efficient," or managed in ways that would give those eligible for these programs some "choice" in managing their Social Security accounts or in selecting among doctors and medical treatment.

This is, perhaps, most easily appreciated by the fact that scarcely anyone in the Washington political arena challenges the idea and the use of the word

"entitlement." The Merriam-Webster dictionary defines entitlement as "the state or condition of being entitled." A "right to benefits specified by law or contract" as in "a government program providing benefits to members of a specified group." It is based upon the idea, the dictionary tells us, of "a belief that one is deserving of or entitled to certain privileges."

## **Nobody Is Entitled**

According to the Merriam-Webster dictionary definition, therefore, in the political arena an "entitlement" is a program of benefits that the government provides to a privileged group, a group that comes to believe that it deserves those benefits, and even comes to consider such benefits as their "right."

The government, however, cannot provide benefits to any privileged group in the society that does not reciprocally obligate others to supply the required resources, goods, or financial means to cover what has been promised. Since government has no supply of resources, goods or sums of money that it does not first tax or borrow from others, any such entitlement compels some other people in society to provide the means necessary for the government to meet its promises to the privileged groups.

That is, one group's privilege entails a compulsory obligation on others that is imposed and enforced through the government's police power to tax and garnish the income and wealth of any and all members of society.

In the United States, the idea of "self rule" originally had a different meaning.

Thus, society becomes divided into two groups: taxpayers and tax receivers; the unprivileged and the privileged; those who are forced to give up a portion of the production, income and wealth they have honestly earned in the peaceful transactions of the market place and those who have that production, income and wealth transferred to them through the power of the state.

This is, of course, what the famous nineteenth century French free market economist, Frederic Bastiat,

referred to as legalized plunder. The government, instead of acting as a protector and guardian of each individual's right to his life, liberty and honestly acquired property, becomes the most powerful and intrusive violator of people's liberty.

The government's concentrated, monopoly power over the use of physical force is far greater and far more dangerous than even the worst of any private individual or private group that attempts to plunder and abuse innocent individuals in society. But equally important, government is the only user of force in society that widely succeeds in indoctrinating and persuading the large majority of the people under its jurisdictional control that it is "just" and "right" that it plunder one part of the population for the privileged benefit of another portion of society.

## **Political Rule vs. Individual Self-Rule**

In earlier times, governments acquired legitimacy over and acquiesce of its subjects by insisting on the divine right of kings. It took many centuries to overthrow the belief that monarchs ruled, regulated, and taxed because of an ordination from God. With the end or weakening of monarchy in the eighteenth and nineteenth centuries, a new ruler was ordained with equal if not greater divine political authority to demand obedience from the citizenry – the divine right of "the people."

Democracy replaced monarchy as the legitimized basis of political power. If "the people" ruled by their own democratic vote, how could they ever tyrannize and plunder themselves? How can a man abuse himself, when his actions are dictated by his own will?

In the United States, the idea of "self rule" originally had a different meaning. It did not primarily or exclusively mean political self-rule through a voting process. It meant the right of each individual to have the freedom to rule over himself. When the American Declaration of Independence spoke of "unalienable rights" possessed by the individual to his life, liberty and pursuit of happiness, the Founding Fathers were saying that each man owns himself, and had the right to live his life as he chooses, as long as he peacefully

goes about his chosen business, and respects the equal rights of others to do the same.

The role of government in this uniquely American conception of individual rights and personal self-rule was that of protector and securer of each person's liberty. The political authority was to be a servant of each sovereign individual, who chooses his own goals and purposes in life and who pursues them with his own mental and physical energies. When he needs the assistance and association of others to attain some of his purposes the method is freedom of choice and voluntary exchange.

## **Socialism and the Anti-Capitalist Mentality**

How, then, did America move away from the idea of sovereign and self-ruling individuals with government limited to a small though essential number of rights-protecting functions, to the notion of the government as itself the sovereign in the name of "the people," with the individual reduced to the servant who is required and expected to pay any tax and bear any regulation in the name of a "common good" or "national interest," or "general welfare"?

In a word, the answer is socialism.

This year marks the twenty-fifth anniversary of the end of the Soviet Union. After the reality of almost 75 years of socialism-in-practice in the Soviet Union and elsewhere around the world, very few people any longer believe in and yearn for dictatorial rule by a Communist Party claiming to know the "inescapable" laws of history; few want to live under a system of comprehensive and all-encompassing socialist central planning. Experience has persuaded enough people around the world that such a system leads to nothing but brutal tyranny, along with economic stagnation and poverty.

While the ideal of Soviet-style socialism and central planning has been rejected and has few explicit adherents nowadays, what does continue to endure and influence general attitudes about political power, economic policy and the role of government in society, both in the United States and around the world, is the socialist critique of capitalism and the free market

society.

The rationale for the vast network of government welfare programs as well as regulation and control over private enterprise is based on the socialist analysis of the market economy. When private enterprise is left free, the socialists claimed, the selfish profit motive guides businessmen to act in ways that harm the common good or general welfare. Workers searching for employment will be exploited and abused by greedy employers unless government protects them with workplace rules and regulations, including the establishment of a "fair" wage.

The state must take on the role of paternalistic provider of health care, old age pensions, unemployment insurance, public housing, education, and a wide variety of other social services. Why? First, under unrestrained capitalism workers will not earn enough to provide these necessities for themselves. Second, private enterprises driven by mere self-interest will inevitably fail to supply these goods and services in sufficient quantity and quality.

Individuals, in other words, cannot be trusted to rule over their own lives, to make their own choices, and to interact freely with their fellow men in a society of liberty. Collective control, under the cover of the democratic process, needs to restrain and restrict the individual's sovereignty in the arena of his own affairs.

The classical liberal and free market agenda included the abolition of all privileges, favors, and subsidies that benefited the aristocracy.

In the name of protecting people from such unrestrained capitalism, governments everywhere, including in the United States, have created ever-expanding bureaucracies that regulate nearly every aspect of our lives. As a consequence, our world today is in the grip of a continuing ideology of anti-capitalism.

State bureaucracies ruling through anti-market policies have grown into ideological and political elites who arrogantly presume to know and dictate how we should all live and work. Those holding political power may be compared to the nobility of

old, before whom the commoners had to grovel so they might live and prosper.

## **Capitalism as the Liberator of Man**

Are these accusations against capitalism and the free society justified? Absolutely not. Indeed, never has an historical record been more twisted and distorted than this socialist critique of the free market society.

Beginning in the eighteenth century and throughout the nineteenth century, capitalism and the political philosophy of classical liberalism that accompanied it insisted on the freedom and dignity of the individual. The classical liberals campaigned against and brought about an end to human slavery, first in Europe and then around the rest of the world. These free market liberals called for ending the rule of kings and princes or at least restraining their powers through constitutional government and peaceful elections. It called for impartial rule of law, and the end to torture and other cruel punishments.

The classical liberal and free market agenda included the abolition of all privileges, favors, and subsidies that benefited the aristocracy, as well as the end to all monopolies created by government regulation and protection. It called for free enterprise, freedom of trade and occupation, and freedom of movement. In other words, classical liberalism and capitalism have been an ideology for the liberation of man from political oppression and economic poverty. It has been the foundation for human freedom and material prosperity in the modern world. It has served as the foundation of the American Republic.

## **Capitalism Is the Liberator**

Capitalism has been the liberator of mankind. Capitalism in the nineteenth century did not doom the worker to a life of perpetual poverty. Instead, the expanding market economy kept creating new and better-paying employments as the decades went by. It produced the wealth and rising income that resulted in the emergence of a phenomenon completely new to human history: a self-supporting and educated middle class that grew more and more as the lower classes bettered their economic well-being.

Through private investment, capitalism kept raising the productivity of labor to new heights. Parents were able to earn enough so their offspring did not have to join the work force at an early age. This produced something unique in history: childhood, a time when the young could experience the innocence of play and the opportunity of schooling before entering the world of work.

Classical liberalism and the market order fostered the private associations and charitable organizations that enabled the working poor to provide medical care, pensions, and education for their families. Famines disappeared; poverty was dramatically and continuously reduced; and hard and long hours of work were slowly but surely eased and shortened to a degree never before experienced.

Capitalism has been the liberator of mankind. The great history and glorious achievements of that earlier free market capitalist epoch must be relearned once again in a society that knows little of the system that has provided the comfort and standard of living that too many of our fellow countrymen take for granted.

## **The Dangerous Growth of Government**

For more than a hundred years, now, the anti-capitalist mentality has undermined the original American political philosophy of individual rights and economic liberty. In its place has grown a politics of paternalism and dependency. This has easily played into the hands of those who have desired political power under the umbrella of democracy, and by those who have desired and now believe that they have an entitlement – a "right" – to redistributive largess because they cannot imagine life without those government "safety nets" and who believe that a free market, limited government world would be cruel, uncaring, and inhumane to them and others.

Big Government has brought with it this big and growing debt because the entitlement society, the redistributive society, the political plundering society has no limit once government is viewed as paternalistic provider rather than an essential but more modest protector of each individual's life, liberty and property.



No deals in Washington, D.C. among the political culprits, whose interactions with special interest groups have created and maintain the Fiscal Leviathan State, will solve America's debt and deficits problem. What we need is a change in the ideas and beliefs among many of our fellow citizens.

As long as too many of our fellow Americans believe they are "entitled" to the income, wealth and productions of others, and as long as so many of our fellow Americans accept either through ignorance or guilt that they have an obligation to be taxed, regulated and plundered to fulfill those entitlements little change can or will happen to radically shift the direction we are moving in.

## **Making the Moral Case for Liberty**

Rights precede government, and are not something given to man by any political authority.

Another way of saying this is that we must reawaken the moral case for liberty. The starting point for such a moral reawakening is the rejection of the collectivist conception of man and society. Collectivists of all types – socialists, communists, fascists, interventionists, and welfare statists – presume that the group, the tribe, the "nation," or the social "class" takes precedence over the individual. He is to serve and if necessary be sacrificed for the "common good" or "general welfare," since the individual has neither existence nor "rights" separate from the collective to which he belongs.

Compare this with the unique and starkly different philosophy of man and society captured in the American Declaration of Independence: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are Life, Liberty, and the Pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed."

Rights precede government, and are not something given to man by any political authority. Each of us possesses rights that may not be taken away or

undermined by those in political power. We all possess an inalienable right to our life, liberty, and property. We own ourselves, and by extension we have a property right to what our creative minds and efforts have peacefully produced. We may not be enslaved, sacrificed, or plundered by others, whether they are private individuals or organized governments.

The individual, not some mythical collective, is the center and starting point of society. The free market is the arena in which people form relationships for mutual benefit on the basis of voluntary exchange. The free man finds his own meaning for life, guided by the philosophy or faith of his choice. He refuses to coercively impose his will on others, just as others may not use force against him. He persuades others to live and act differently through reason and example, and not with the bullet or the bayonet. And no political authority can make claims against his life, liberty, and honestly acquired property, because the function of a limited government is to secure his freedom from predators and plunder.

This is the philosophy of individualism and capitalism that must be reawakened in our fellow men if we are to free our society from the stranglehold of Big Government and its ocean of debt. It requires a confident belief that we are right, that both reason and history have demonstrated the value and benevolent results of what Adam Smith once called "the system of natural liberty."

## **The Importance of the Battle of Ideas**

Such an appeal to a battle of political and economic ideas is essential. The social political and economic crises of our time are the outcome of an earlier battle of ideas that the enemies of freedom and capitalism succeeded in winning to a great extent. They indicted the society of liberty; they distorted the reality of capitalism and its brilliant triumphs in freeing man from poverty; and they imbedded in the minds of many the conception of political entitlements that serve the power ends of political paternalists and which requires the plundering of the peaceful and productive members of society.

Our society is living under a paternalistic and

plundering political system that threatens to bring its productive potentials to, if not a halt, then at least a sluggish crawl compared to its free market potential. In the extreme, it could lead to a situation of capital consumption, under which the government's taxing, spending, and borrowing policies take so much away from the private sector that it becomes impossible for private enterprises to maintain the productive capacity upon which our standard of living is dependent. Civilizations have regressed in the past. And it can happen again.

Whether the final phase of the fiscal crisis of the government's redistributive and entitlement system is reached in ten years, twenty years or thirty years, the question then will be, what will follow the failure and collapse of the Fiscal Leviathan State? Our society will stand at a crossroads. And when that time comes it is essential that there are enough people who understand, can explain, and are willing to defend the ideas and ideals of individual rights, economic liberty, and the free market system. If not, the future may see a tragic return to a less civilized and much poorer past.

Richard M. Ebeling is BB&T Distinguished Professor of Ethics and Free Enterprise Leadership at The Citadel in Charleston, South Carolina. He was president of the Foundation for Economic Education (FEE) from 2003 to 2008.

Comment by R. Nelson Nash — *Everyone should read THE GREAT UTOPIAN DELUSION by Cleveland and Barney. It is available on our website.*

## The Free Lunch Is Over

by Jeff Deist

If there is one overriding economic myth that plagues us today it is the notion that society can do collectively what we cannot do individually: get rich by living today at the expense of tomorrow. It is the doctrine of the political class, professional economists, and central bankers. It is monetary and fiscal hedonism masquerading as technical analysis. And, it leads to fiscal default. It is arguably the biggest untold story of our time, but you won't hear about it from Hillary or

Bernie or Donald.

## Consuming Today — Paying Tomorrow

Part of the problem lies in the fact that the cumulative impact of bad policies will in most cases be felt only many years down the line. Murray Rothbard pointed out when this is the case, voters will support destructive policies. The idea persists that we really can live at someone else's expense. At least for now.

This is what the Fed has been doing with all of its "extraordinary" monetary policy since 2008. But even the Fed admits this comes with big risks for future fiscal solvency. In a November 2010 speech, St. Louis Fed President James Bullard said: "The [FOMC] has often stated its intention to return the Fed balance sheet to normal, pre-crisis levels over time. Once that occurs, the Treasury will be left with just as much debt held by the public as before the Fed took any of these actions."

The problem is, the Fed has yet to figure out how it will return things to "pre-crisis" levels. In other words, the end of the Fed's experiment in massive debt and easy money will come "some day." But definitely not today.

I'll leave it to you to decide if extraordinary monetary policy is really the new normal. It's hard to conceive of an event where the Fed would reverse this trend or significantly raise interest rates.

There still appears to be no political will at the Fed or anywhere else to forgo consumption today for the sake of fiscal solvency later.

## The Lost Art of Investing in the Future

Looking around this beautiful venue, which often hosts symphonies, we see immediately that it was built by people who wanted to create something lasting — something that would not only survive their lifetimes, but that would provide beauty and lasting enjoyment for future generations.

They broke ground on this building 100 years ago; none of the individuals who built it are alive today. It served for decades as a Christian Science church.

But in a sense the individuals who built it live on

through their work, which surrounds us here: through the art glass Tiffany-style lighting, through the terra cotta on the sides of the building, through the thick masonry designed to produce warm acoustics. They persevered for 6 years to complete it — and while they could not have foreseen what kind of events or people the building would host a century later, undoubtedly they knew it was built to last and hoped it would remain standing a long time as Seattle grew up around it.

They built something lasting for an uncertain future. All healthy societies do this. The notion of being concerned with things beyond one's lifetime is innately human. Humans are hardwired to build societies, and the most ambitious humans have always sought to build lasting monuments and modes of living. That's not possible unless people work toward a future they will not enjoy themselves.

This was especially true for our ancient primitive ancestors, who lived very short and difficult lives. We can imagine how much they wanted to have lasting forms of sustenance: food, water, clothing, shelter — instead of having to produce that sustenance day after day.

In fact, this trait perhaps more than any other is the hallmark of civilization. We can call it many things, but we might just say healthy societies create capital. They consume less than they produce. This capital accumulation creates an upward spiral that increases investment and productivity, making the future richer and brighter. Capital accumulation made it possible for human populations to develop beyond subsistence misery. It made the agricultural, industrial, and digital revolutions possible.

Economists talk about savings in the context of time preference, the preference that people have for current consumption over future consumption. People with high time preferences want everything today, no matter the cost, whether we're credit or simply enjoying the empty pleasure of idleness over productive activity.

People with low time preferences are the opposite: they'd rather forgo some pleasure or purchase today

to build for the future, whether their own or their offspring's. And it's not just about the future of the family or tribe: society benefits across the board, through economic, cultural, and philanthropic development.

Of course time preference is not only a matter of sociological study, but also a fundamental concept in economics.

In the 1800s the French classical economist Jean-Baptiste Say gave us his law of markets, a law that could be reduced to the proposition that production precedes consumption. We have to produce before we consume, because while humans always have infinite wants — i.e., demand — real-world scarcity means that we first have to produce economic goods before we can consume them. The only other choice is a return to that subsistence life our ancestors escaped thousands of years ago.

Mises posited that from the study of human action itself we could derive the assumption that all other things being equal, individuals prefer to achieve an end sooner rather than later. This is why we'd rather buy our dream house at age 40 than 90. We can understand this preference by deductive reasoning. The question is how bad we want that house at 40, and what using consuming capital or incurring debt to buy it might mean for our life at 90.

Professor Hans Hoppe states that low time preference, the willingness to accumulate goods for an uncertain future, “initiates the process of civilization” — a positive feedback loop in which developing societies accumulate more and more capital, which leads to greater productivity, which leads to longer lifespans and greater concern for the future.

Professor Guido Hülsmann, in his great book *The Ethics of Money Production*, addresses the damaging cultural and moral effects of using monetary policy to encourage high time preference via inflation and cheap credit. By debasing money, the political class and its bankers not only hurt the economy, but also grow government, make wars more likely, and create moral hazards that encourage bad behavior.

## The Rise of Monetary and Fiscal Hedonism

It seems self-evident that capital accumulation and low time preferences are healthy, virtuous, and necessary elements of an advanced economy and society. So we should not be surprised that the two most powerful forces in the modern world — central governments and central banks — work tirelessly to thwart both. And democracy, so-called, is at the heart of their experiment.

As the aforementioned Dr. Hoppe explains, democracy turns the political class into high time preference plunderers: without any vested hereditary interest in the future of a nation, elected politicians have every incentive to consume the nation's current capital via taxes and future capital via debt. Why shouldn't a politician win votes today, by supporting popular spending measures, when the consequences won't be felt until long after he's out of office? Buy now, pay later is an inherent feature of any democratic political system.

But the moral hazards created by such a system in America are enormous, and we're not just talking about those living on food stamps and welfare because it's only marginally worse than working a low-paying job.

We're talking about huge middle-class constituencies for entitlement programs like Social Security and Medicare. Why buy a Hyundai and vacation in Florida when you can buy a Mercedes and vacation in Europe? How many economic decisions are subtly influenced by the knowledge that at least a portion of one's retirement costs will be borne by others?

As for the Fed, we could spend all weekend studying how it distorts prices across the board, rigs equity and housing markets, misallocates resources and alters the structure of production, fools entrepreneurs, and punishes savers.

As Guido Hülsmann describes, monetary debasement brings about cultural debasement and ultimately personal debasement. It's not a new concept, but rather a problem that existed in ancient and feudal times just as it does today. It infects every aspect of our

society: not just our financial lives, but civil society and our personal relationships as well. Cheap credit, the drug pushed by central bankers, makes us prefer the saccharine pleasures of consumption to the lasting satisfaction of productive achievement. It makes us buy houses that are too big, cars that are too elaborate, and college educations that are too expensive.

It makes us worse people!

In sum, we might say that Congress and the Fed are co-conspirators in a plot to have us live for today instead of building for tomorrow.

It's not hyperbole to say that the political and banking classes have become enemies of civilization. They've sold us a mix of fiscal hedonism and monetary hedonism that threatens to upend the arc of human history.

## Our Biggest Challenge Lies in Changing Our Mindset

Remember, our economic future is unwritten. The US economy has very serious structural problems, particularly with respect to debt, the dollar, and entitlements.

But our biggest challenge is mindset. There is no reason on paper that America cannot be a great nation.

Despite all the problems with American schools, we still have one of the most educated workforces in the world. We have abundant and sparsely populated land. In fact, we have more arable land than any other nation — about 17 percent of all US acreage can be farmed. We have 500 million acres of timber. We have two huge coastlines, with access to both eastern and western markets. And we have huge amounts of cheap energy in the form of oil and natural gas.

Our problems are of our own making, primarily caused by lousy voters, high time preferences, and economic hedonism. It's been a great party, ladies and gentlemen. Good luck electing someone who's serious about the hangover.

Comment by R. Nelson Nash — *Watch the YouTube video The Backwards Brain Bicycle - Smarter Every Day. It contains a number of vital messages that all should understand.*



## **Clinton's Pay-to-Play Is the Natural Consequence of Big Government**

by Peter G. Klein

Hillary Clinton has been taking heat for her relationship with the Clinton Foundation. Did individuals and firms making large donations to the Foundation, or paying large speaking or consulting fees to Bill Clinton, get preferred access to Ms. Clinton as Secretary of State? Is there a revolving door between the Clinton campaign and the Foundation's fundraising staff? Are these relationships the subject of the emails she deleted from her private server?

These questions point to a more basic issue about the role of money in politics. What, exactly, do large corporations get in exchange for their payments to candidates and current and former government officials? Ms. Clinton gave 92 speeches between 2013 and 2015 that netted her \$21.6 million, including \$1.8 million for just 8 speeches to large banks. (CNN provides eye-opening details about her speaking requirements — the \$225,000 fee is just the tip of the iceberg.) Ms. Clinton is hardly known for her business acumen; her infamous cattle-futures trades are widely recognized as a political payoff, and her views on corporate governance have been ridiculed by experts. Her opinions on world politics are already in the public domain, so I doubt Goldman Sachs was getting \$200K worth of unique insight into global affairs. Bill Clinton, with zero experience in higher-education administration, bagged \$17 million to be honorary chancellor of an obscure for-profit university. Why are these companies throwing their money away?

Most people assume that campaign contributions, speaking and consulting fees and lucrative board positions for former and future politicians, and similar payments are pure graft, the kinds of pay-to-play arrangements common under crony capitalism. And some of these transfers surely do buy access and even specific policy outcomes. There are several problems with the common assumption, however. First, research on campaign contributions finds

that the expected rate of return on these payments is quite high and yet, given the potential gains, the contribution amounts are remarkably small. Second, there is little systematic evidence that policies are, on average, greatly influenced by such contributions, leading some to suggest that this form of payment to politicians and political parties is mainly consumption, not investment.

### **Lobbying as a Defensive Strategy**

A more intriguing finding, however, is that most large companies not only give generously, but about equally to both major parties, even when the parties' candidates and representatives differ on particular issues. This suggests that payments to politicians are best understood as a form of insurance. Money in politics provides protection against what Fred McChesney has called "rent-extraction" by government. For example, before the mid-1990s, the tech industry had a very low profile in Washington — few contributions, no DC headquarters for the big tech companies, and so on. After the Microsoft antitrust trial, this situation was completely reversed, and now tech companies are among the biggest lobbyists in the US. The message was clear: you want to play ball, you pay up — or we shut you down. It's not that companies are necessarily paying for specific outcomes; rather, they are paying for the right to do business at all.

As Ludwig von Mises pointed out, doing business in a world of aggressive governmental regulation is tricky. One consequence is to make firms more bureaucratic, by which Mises means less effective at responding to consumer needs in the most efficient manner.

### **The Cost of Compliance with Government Regulations**

Under capitalism, the size, complexity, and strategy of corporations, reflects the decisions of capitalist-entrepreneurs about how best to earn profit, competing freely with each other for resources and consumer patronage.

Under interventionism — what we now call crony capitalism — the situation is different. Now companies must employ large staffs of lawyers, accountants,

lobbyists, public relations teams, and others who focus not on creating economic value, but on satisfying legal, tax, regulatory, and other government requirements. That large firms are filled with such non-productive employees is not, Mises writes in *Human Action*, “a phenomenon of the unhampered market economy,” but a result of government policy.

In his earlier book *Bureaucracy*, published in 1944, Mises challenges the idea that bureaucracy is a necessary consequence of firm size. “No profit-seeking enterprise, no matter how large, is liable to become bureaucratic provided the hands of its management are not tied by government interference. The trend toward bureaucratic rigidity is not inherent in the evolution of business. It is an outcome of government meddling with business.” By this Mises means that government interference impedes the entrepreneur’s use of economic calculation and the attempt to use prices to impose managerial discipline. Mises gives three examples: taxes and price regulations that interfere with corporate profits (distorting an important signal of employee performance); laws that interfere with hiring and promotion (including the need to hire people to deal with government); and the omnipresent threat of arbitrary antitrust or regulatory activity, in response to which entrepreneurs must become adept at “diplomacy and bribery.”

This is why large companies send millions of dollars to the Clintons and other top politicians in both major parties. A President Hillary Clinton could direct billions to favored companies, and take billions of potential profits away from those that don’t “play the game.” Just as journalists know that tough questions will get them banned from future press conferences, business leaders under crony capitalism know that if they don’t contribute, don’t hire, don’t pay the right people in Washington or Brussels or wherever, they won’t be successful.

The solution? Take away the ability of government to intervene in economic affairs. Just imagine the popularity of Ms. Clinton on the speaking circuit in a world like that!

Peter G. Klein is Carl Menger Research Fellow of

the Mises Institute; Professor of Entrepreneurship at Baylor University's Hankamer School of Business; Senior Research Fellow with Baylor's Baugh Center for Entrepreneurship and Free Enterprise; and Adjunct Professor of Strategy and Management at the Norwegian School of Economics. Contact: email; twitter; Facebook.

Comment by R. Nelson Nash — *This is the sort of stuff that always goes around in any government — and yet people will plan their financial world based on a “government tax-qualified” plan. Unbelievable! Absurd! Unthinkable!*

*All such plans are a function of the IRS Code. So think about it. When government creates a financial problem in your life (onerous taxation) and then turns around and gives you an “exception” to the problem they created (any tax-qualified plan) aren't you just a little bit suspicious that you are being manipulated?*

## ***A Great Book [The Problem With Socialism]***

Reprinted from a customer review on *Amazon.com*.

Our youngest son Dan, born in 1987, claims socialism is good. Like many other people in his Millennial Generation born 1982-2004, despite growing up in a home with libertarian parents, he backed Bernie Sanders and thinks socialism works. A case in point, he argues: “Look at Sweden. It works there!” My wife and I have tried to dispel this notion and other collectivist views he holds since he attended and graduated from college, without effect.

When I learned that Tom DiLorenzo had written a new book titled THE PROBLEM WITH SOCIALISM, for release on July 18, 2016, I pre-ordered a copy on Amazon. Sure enough, on Monday morning July 18 UPS delivered it to my door. I read it at once.

In this relatively short book, in a clear, engaging, and concise fashion, Professor DiLorenzo explains what socialism is and why it doesn't ever work.

One quickly sees that he has put the same care into

writing **THE PROBLEM WITH SOCIALISM** as he has done with his other, longer books, notably **THE REAL LINCOLN**, **HAMILTON'S CURSE**, **LINCOLN UNMASKED**, and **HOW CAPITALISM SAVED AMERICA**.

At 192 pages in a 4-by-7-inch (hardback) format, **THE PROBLEM WITH SOCIALISM** is a quick read. A narrator spends 3 hours and 51 minutes reading the book aloud, unabridged, on audible.com. (It is available also on Kindle).

DiLorenzo begins by showing why socialism poisons economic growth and prosperity and why it always and everywhere turns into an economic disaster. Three problems plague socialism, he writes incentive, knowledge, and economic calculation problems. Key among them is an enforced lack of market prices, making it impossible to craft rational economic decisions.

He dispels a number of socialist myths and superstitions about capitalism. These include the capitalist myths of "subsistence wages," the "abusive factory," "robber barons," "predatory pricing," and the "Capitalism-Causes-War" myth. Free market capitalism is about the trade. "It is about the free exchange of goods and ideas, which encourages peace and mutual understanding." Free market capitalism keeps wars at bay. It prevents war, not cause them.

On the back side of the book's dust jacket, Tom Woods writes: "Ever wonder what one book you should give a young person to make sure he doesn't fall for leftist propaganda? You're looking at it.... Dance on socialism's grave by reading this book." [italics his]

To answer our son's assertion on Sweden, DiLorenzo shows, in Chapter 7, that Sweden doing well is not a result of its having adopted socialism. He writes, "The real source of Sweden's relatively high standard of living has nothing to do with socialism and everything to do with Sweden avoiding both world wars and jumping into the industrial revolution when its economy was one of the freest, least regulated, and least taxed in Europe."

Current-day Swedes are living off the hard work,

investments, and entrepreneurship of previous generations. But it won't last. They are running out of other people's money. Sweden is now "poorer than Mississippi, the lowest income state in the United States," and it has begun "privatizing portions of its socialized healthcare, social security, and education sectors."

A promotional statement on an inner leaf of the book's dust jacket reads: "Provocative, timely, essential reading, Thomas J. DiLorenzo's **THE PROBLEM WITH SOCIALISM** is an instant classic comparable to Henry Hazlitt's **ECONOMICS IN ONE LESSON**."

I agree. **THE PROBLEM WITH SOCIALISM** will stand alongside Hazlitt's classic 1946 introduction to free market economics. (**ECONOMICS IN ONE LESSON** is a touch longer, 6 hours and 56 minutes on audible.com.) The two books complement each other. Together they show in a readable and easily understood and essential way why free market (Austrian) economics works and why socialism always fails, no matter who may happen to run it.

Tom Woods conducts an engaging interview with Tom DiLorenzo on his Tom Woods Show the day the book was released. It is Ep. 696 "The Problem with Socialism: Tom DiLorenzo Educates Socialist Millennials." That he does! You might enjoy listening to this 26-minute interview. Google it.

Some 85 million Americans are Millennialism, whose birth years 1982-2004 make them part of the Millennial Generation. This generation of Americans was not yet born, or too young to have witnessed the collapse of the Union of Soviet Socialist Republics (USSR) in 1991, which for adult Americans living then and seeing this thoroughly discredited socialism. One thing that stimulated him to tackle and write **THE PROBLEM WITH SOCIALISM** Tom DiLorenzo says, was seeing an opinion poll which showed that 59 percent of Millennial Generation folks polled think it is OKAY, even a good idea to have a socialist as president.

We all should read this book. People in the Millennial Generation, however, Americans now age 16-34 especially need to read **THE PROBLEM WITH**

SOCIALISM before they wind up finding themselves living in a world that has become like Venezuela.

Reprinted from Amazon.com.

Comment by R. Nelson Nash — *Tom DiLorenzo has produced a classic in writing this book. If you have any of the Millennial Generation in your family or if you are just acquainted with some, then get this book in their hands and make sure they read — and understand it. The future of our nation depends on its message. SOCIALISM CANNOT WORK!!!*

## **The More Complex Society Becomes, the Greater the Need for Anarchy**

by Butler Shaffer

[This article is from a talk I gave on July 31, 2016, at the seventh annual “Capitalism and Morality” conference held in Vancouver, B.C. Sponsored by Jayant Bhandari – a very bright, energetic libertarian – the conference brings together speakers and participants interested in exploring the deeper implications of liberty, private property, and free markets.]

*To think that I attempted to force the reason and conscience of thousands of men into one mould and I cannot make two clocks agree.* - Emperor Charles V

Dating back at least to the time of Plato, most of us have been conditioned in the mindset that the more complex a society becomes, the greater the need we have for vertically-structured, top-down definitions of, and prescriptions for, social order. Such thinking has provided the symbol for most organizational systems: the *pyramid*, wherein authority flows downward to those expected to be obedient. Institutions – be they political, educational, religious, business enterprises – have long employed this organizational model in one form or another. The Egyptian pyramids, the Washington Monument, and the pyramid on the reverse side of the dollar bill are familiar examples of this concept. Chain-of-command hierarchies are generally used to identify roles within institutions.

Scientific understanding – as reflected in Newtonian

physics – has contributed to the perpetuation of this model in providing a mechanistic and reductionist view of nature in which “order” is the product of identifiable “laws” (e.g., gravity, motion, thermodynamics, light) that presumed a measurable certainty and predictability in the interplay of such forces with the material universe. A universe, whose makeup was conceived to be in the form of small building blocks (the subsequent discovery of atoms serving this model). The interaction among such factors was seen as occurring according to simplified processes of causation.

Seeing the universe as a giant clockwork that could be understood and manipulated by human intelligence began to erode with inquiries into *quantum mechanics*. Looking within so-called atomic building blocks revealed the unexpected: the linear, cause-and-effect behavior associated with the traditional model, was replaced by spontaneity. Even the gradualist assumptions of change were seen, at the subatomic level, as “quantum leaps” (e.g., the “gradual” warming of a pan of heated water is now understood to result from a specific molecule of water instantly jumping from an unheated to a heated state). The certainties and predictabilities of traditional physics had been reduced to “probabilities” and what one physicist called “tendencies to exist;” the “building blocks” became what Einstein termed “frozen energy.”

Werner Heisenberg’s “uncertainty principle” created more doubts concerning human capacities to control nature to accomplish desired ends. One could measure the *location* and *velocity* of a molecule, but not both at the same time. One had to forego information as to velocity if checking for location, while testing for location did not permit knowledge of velocity. This fact found expression in the joke about Heisenberg being stopped by a highway patrolman while driving on a freeway. “Do you know how fast you were going?” the officer shouted. “No, but I know where I am,” Heisenberg responded.

The idea that the acquisition of more knowledge would lead to an accumulation of greater understanding was laid to rest in Einstein’s observation that “as a circle of light increases, so does the circumference of darkness



around it.”

Such enhanced awareness of the limitations inherent in our ability to identify and control the details of nature's functioning has not diminished the continuing faith of institutions in the old paradigm. Government agencies still employ “experts” to help formulate rules to regulate the uncertainties of the marketplace or the rest of nature; judges continue to formulate decisions based on the presumption that their rulings can anticipate consequences for upward of a million years!

Post-World War II thinking about the emerging role of computers continued to reflect Plato's conviction that a body of knowledge sufficient to allow for intelligent planning required centralized systems functioning under the control of updated “philosopher-kings.” IBM's Thomas Watson believed that “there is a world market for about five computers,” while, in the early 1970s, a computer industry executive intoned that there would never be a computer in the home. Such predictions gave rise to fears of a dystopian world, as envisioned in Orwell's *1984*, and expressed in the 1957 Spencer Tracy/Katharine Hepburn film *Desk Set*.

Then along came a wonderful man, Edward Lorenz – a mathematician whose ancestry was likely traceable to the leprechauns! – who, in an effort to use computers to predict the weather, discovered what has since become known as “chaos theory.” Uncertainty over the meaning of this concept imagines it to embrace little more than the sentiment that the world is collapsing into disorder, confusion, and random destructiveness. To the contrary, “chaos” is an expression of the order found in complex systems in which three or more interconnected factors interact to produce unpredictable consequences. The study of chaos raises questions as to whether there is such a phenomenon as “disorder,” or whether there are only outcomes whose causal contributions were not identifiable? Terry Pratchett expressed the proposition quite clearly: “Chaos is found in greatest abundance wherever order is being sought. It always defeats order because it is better organized.”

Resist the temptation to dismiss Pratchett's thoughts as just playing with words. In the same way that serious students of “anarchy” understand that complex systems – such as human society – cannot be planned for to produce predictable results, the study of chaos informs us that an orderly world cannot be created by centrally-controlled, collective intention. The world, in its various expressions, is self-ordering, and our failure to live in accordance with this fact has rendered our lives – both personal and societal – destructive. “Reality” is far more complex and interconnected than our “either-or” conditioned minds can explain or direct.

The increased flow of information has both a liberating effect on the mind, as well as on the creative process, in that it expands the cross-fertilization of ideas that lead to alternative thinking and social systems. The institutional order has long favored enlarging the gap between what it knows, and what those subject to their authority know. This is why censorship, the classification of information into various categories of secrecy, the banning of books and, more recently, open hostility to the Internet and other technologies that foster direct communication among individuals, are insisted upon by the state. When “whistleblowers,” and those who assist them – such as Chelsea Manning, Ed Snowden, Julian Assange, Glenn Greenwald, and *Wikileaks* – reveal government secrets to the public, they are reducing this gap, thus providing an increased opportunity for popular analysis and understanding of organizational behavior.

As vertically-structured, chain-of-command systems collapse into horizontally networked systems, decision-making is decentralized. One sees this in modern business management organization – sometimes referred to as “participatory management” – in which employees exercise increased control over their work. Decision-making that had heretofore been directed by management supervisors – such as how and when work is to be performed, modifying work practices, and selection of new employees – is often made or shared with non-supervisory workers. Such decentralizing practices have led to increased productivity, creativity, and problem-solving, as those

who are most familiar with the work to be performed and the tools to be employed are presumed to be more knowledgeable about what needs to be done. Such thinking also underlies the concept of academic freedom in schools, as well as First Amendment assumptions about the individual liberty to express alternate ideas.

Decentralized decision-making does not overcome the limitations imposed by chaos theory: even at a local level, complex systems still produce unpredictable consequences. But there are fewer variables with which to contend when events are limited by time and space. For instance, a homeowner having to deal with a structural defect in his or her house has far fewer unknown factors to consider than does a government regulator presuming to create a single rule for thousands of houses.

The now familiar example of U.S. Airways pilot, Chesley Sullenberger III, illustrates the advantages of decentralized decision-making. Shortly after taking off from LaGuardia Airport on January 15, 2009, his plane hit a flock of birds, whose impact disabled both engines. The plane was without power, and Sullenberger spoke with air traffic controllers, who suggested to him that trying to get to a field in New Jersey might be his best course of action. But in addition to being an airline pilot, Sullenberger was also an experienced glider pilot, and he knew that a glider was what he was now flying. He chose, instead, to land in the Hudson River, a decision that resulted in the loss of no one's life. Any other pilot, without Sullenberger's glider background, might have chosen the advice of the air traffic controllers, and the network news of that day might have focused on a plane crash in New Jersey that killed hundreds of people.

The events of that day revealed much about the spontaneous nature of the order. The sound thinking of Captain Sullenberger, combined with the immediate response of ferryboat operators who rushed to the scene to rescue passengers, demonstrates how well we are capable of responding when life is endangered. From the lessons learned that day, I ask you: were you to find yourself on a similarly situated flight, would you prefer to have the pilot be a person who strictly

obeyed the predetermined directives formulated by an FAA bureaucracy or by another pilot whose judgments – in the face of such an unexpected occurrence – were made by an experienced pilot who, like you, was desirous of surviving? Perhaps the headline of the New York Times reporting of this event will help provide the answer. In contrast with the traditional top-down model by which collective prescriptions for future actions are generated by state agencies, the actions of the ferryboat operators were prefaced: “Old Hands on the River Didn't Have to Be Told What to Do.”

The greater effectiveness of spontaneous systems of order can also be seen in the practice, in various cities in Sweden, Germany, New Zealand, Belgium, the Netherlands, and Great Britain, of abolishing *all* traffic signs: including speed limits, traffic lights, and other governmentally-imposed regulations. One might intuitively expect traffic accidents to increase but, in fact, just the opposite has occurred, with one town reporting a drop from *eight* to *two* per year. On the premise that “unsafe is safe,” the individual who devised this system defended the practice on the grounds that it “shifts the emphasis away from the Government taking the risk, to the driver being responsible for his or her own risk.” Instead of watching for police cars in rear-view mirrors, or reacting to changes in the color of lights in machines, motorists spent more time observing and negotiating with other drivers, leading to a greater “ability to be considerate,” thus fostering “our capacity for socially responsible behavior.”

Are such events and practices anything more than interesting anecdotes, or might they provide hints as to how we must fundamentally alter our thinking and behavior if we are to end the institutionalized madness that is destroying what it means to be human? The well-being – even the survival – of our species itself, depends on upon the full expression of the life force that is found only within individuals. This importance is best served by social systems in which decision-making is diffused among individuals. Life belongs to the living, not to soulless abstractions to which we have conditioned ourselves to be subservient. Free-market

systems grounded in voluntary behavior, private ownership of property, freedom of contract, peace, liberty, and a general respect for the inviolability of life are examples of individually-centered social values that I developed, in my *Boundaries of Order* book, as part of a “holographic” model of interconnected order.

Perhaps in the field of solid geometry, we might find a life-sustaining model to replace the vertically-structured *pyramid* that has proved so destructive. The *sphere* comes to mind as a solid that has no “top” or “bottom,” or other advantageous positions from which those ambitious for power over others can operate.

Major paradigm shifts in thinking have occurred over the centuries, with perhaps the best analysis found in Thomas Kuhn's classic *The Structure of Scientific Revolutions*. When established models of systemic thought fail to explain behavior inconsistent with the model, such irregularities can begin to generate a crisis. A *geocentric* model of the universe was increasingly unable to account for the observed behavior of other planets, a failure that a *heliocentric* paradigm was able to overcome. Because “all crises begin with the blurring of a paradigm,” Kuhn points out, this “failure of existing rules is the prelude to a search for new ones.” Kuhn warns, however, that it is not sufficient to show that the established model fails to describe nature; it is only when a relatively better theory can be offered that a paradigm shift will occur.

Does the vertically-structured model by which mankind has long been subjected to political control fail to serve the ends proclaimed for it? Are wars, depressions and other economic dislocations, corruption, police brutalities, politically-generated conflicts, genocides, torture, looting, seemingly limitless levels of taxation and government debt, inflation and other currency failures, indispensable elements for what you would expect to see as part of a sane, decent, free, and productive society?

The dynamics that generated paradigm shifts in scientific understanding may also be applicable to transformations in social thinking. In words relevant

to the political structuring of our world, Kuhn observes that “political revolutions” develop when “existing institutions have ceased adequately to meet the problems posed by an environment that they have in part created.”

In its political manifestations, the slaughter of hundreds of millions of men, women, and children in service to the established paradigm is sufficient evidence for its failure to serve life. But as Kuhn advises in his analysis, is there a better alternative model by which social systems – both political and non-political in nature – can satisfy human needs for free, peaceful, and creative behavior? I offer as a candidate the decentralized model in which both thought and action are individually focused. In its political expression – although not limited to that realm – this would take the form of *libertarian/anarchist* thinking. (I am speaking, here, of ideas that run much deeper than an interest in legalizing the use of marijuana!)

In his book, *Against Method*, another highly respected student of science, Paul Feyerabend, elaborated on what he termed “epistemological anarchism.” He elaborated on this: “The idea that science can, and should, be run according to fixed and universal rules are both unrealistic and pernicious.” To think otherwise is to overlook the contributions to scientific understanding that have arisen by accident, through dreams, guesswork, emotions, intuition, and spontaneous, diffused processes. Characterizing science as an “anarchistic enterprise” that is “more humanitarian and more likely to encourage progress than its law-and-order alternatives,” Feyerabend rested his case on the epistemological principle that “*anything goes.*”

At a time when computerized technologies provide for the widespread dispersal of both *information* and *alternative systems* for social practices, the works of Kuhn and Feyerabend may serve as a base for efforts to transform traditional models of imposed authority into networks of mutual independence. Perhaps Albert Jay Nock's “Remnant” – those individuals who, following the collapse of civilization – will use their awareness of the “august order of nature” to “build up a new society.” In the course of their efforts,

these people may have occasion to inquire into an etymological dictionary to discover why the words "peace," "freedom," "love," and "friend" share an interconnected history. Perhaps in the mindset of our more distant ancestors we can find a more *personal* sense of what it means to live with others in society.

Those who have schemed so insistently to create and maintain their monopolies of violence over all of mankind never found comfort in Gutenberg's invention. But neither the banning nor burning of books, heresy trials, Inquisitions, the hanging or burning of witches, nor Luddite machine-breaking riots, were able to destroy the civilizing consequences of the decentralized and liberating character of expanded information that produced the Renaissance, the Enlightenment, the Reformation, the Age of Reason, or the Scientific and Industrial Revolutions. Perhaps our children and grandchildren, sharing with one another the dispersed and individualized powers of information that the established order so mightily fears, will transform the thinking, and clean up the mess, that my generation so ignorantly allowed to be created.

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## VISION

By Leonard E. Read

*Note - Frequent readers of BANKNOTES are aware of my relationship with Leonard E. Read and my admiration for his works during his lifetime. In the following issues I will be sharing his book, VISION, one chapter per month. It was written in 1978. What a privilege it was for me to know this great man! - R. Nelson Nash*

### Chapter 15

#### IGNORANCE: AGENT OF DESTRUCTION

*There is nothing more terrible than ignorance in action. -GOETHE*

As Victor Hugo observed, "Armies can be resisted." Indeed, they can! But what about bad ideas, that is,

ignorance? The most difficult problem facing the people of the United States today is to resist ignorance in action.

Were I a loyal Russian devoted to the U.S.S.R.-Union of Soviet *Socialist* Republics-and determined to overcome, subvert, and absorb the U.S.A., what would my tactic be? Drop hydrogen bombs? Probably not! That tactic would be resisted as would an invading army. What then? Would I not try to outmaneuver resistance by attractively phrasing and propagandizing the ideas of socialism? I'd play upon such themes as "From each according to his ability, to each according to his need." How would I measure my success? By the extent to which the people of the United States adopted my creed, the ten points of the *Communist Manifesto*.

As a devotee of freedom, thus opposed to compulsory collectivism, I view with distress the extent to which Americans have embraced the ten points. Here are substantially accurate assessments:

1. *Abolition of property in land and application of all rents of land to public purposes*-Our 78,000 governmental units-federal, state and local-own outright not less than 39 per cent of all acreage. And the remaining land in private title is only partially owned, for government may exert eminent domain over it, and no one owns that which he does not control. To public purposes? Who knows, except it is enormous!
2. *A heavy or progressive income tax*-Complete acceptance!
3. *Abolition of all right of inheritance*-With graduated estate tax rates running as high as 70 per cent and state inheritance taxes being added on to that, the right of inheritance appears to be in the twilight zone.
4. *Confiscation of the property of all emigrants and rebels*-The government's shameful treatment of Japanese-Americans during World War II, on the mere suspicion that they *might* do something to hamper the war effort, was a breach of American standards of justice. Excused as a wartime emergency measure, the precedent nevertheless remains to haunt the nation in



times of peace-the rights of people may be suspended any time on the pretext of an "emergency."

5. *Centralization of credit in the hands of the State, by means of a national bank with State capital and an exclusive monopoly*-The Federal Reserve System, together with the legal tender laws, have substantially accomplished this objective.

6. *Centralization of the means of communication and transport in the hands of the State*-The extent to which control of communication and transportation is in the F.C.C. and the I.C.C. tends to reduce the question of formal ownership to the point of insignificance. There is no ownership without control.

7. *Extension of factories and instruments of production owned by the State, the bringing into cultivation of waste lands and the improvement of the soil generally in accordance with a common plan*-The postal system and the T.Y.A. are examples of moves in this direction. Government ownership of land noted in point number 1 and recent controls of all kinds applied in the name of consumer protection are others. The entire list is too extensive for coverage in the space available in this article.

8. *Equal liability of all to labor. Establishment of industrial armies, especially for agriculture*-With the federal government controlling the right to hire and fire, as well as the wages being paid, this objective has been substantially accomplished.

9. *Combination of agriculture with manufacturing industries; gradual abolition of the distinction between town and country, by a more equable distribution of the population over the country*-Zoning laws are already controlling land use in most of our urban areas and many rural areas as well. Population shifts are being controlled by denying sellers the right to choose their own customers.

10. *Free education for all children in public schools. Abolition of children's factory labor in its present form*-We have free education in public schools and our child labor laws do, in fact, prohibit children from working in factories. Complete agreement! However, public education is far from free, in Russia or here. It

is unbelievably expensive.

What an infestation of communistic ideas! In the politico-economic realm, the U.S.S.R. type of State has nothing above it, thus, the State is God. What constitutes such a State? Individuals politically exercising all-out coercive power. This is quite the opposite of the wisdom on which America's government was founded, namely, that all men are endowed by their Creator-not by the State-with the rights to life and liberty.

There is, however, a common notion among freedom devotees that should be questioned, the notion that this urge for compulsory collectivism has its origin in the Union of Soviet *Socialist* Republics. Their society is but a modern variation on primitive ways of life: serfdom, feudalism, merchantilism and the like. Their propaganda is cleverly drawn to have us believe theirs is the wave of the future.

The communist theoreticians believe their tactics are causing our slump into socialism, as do many Americans, but the belief is erroneous. Our slump, no less than theirs, is but a thrust from the primitive past-in different grammar, that's all!

As to why communistic notions portray ignorance, our Pilgrim Fathers made the discovery during their first three years-1620-1623. During those years they practiced "From each according to his ability, to each according to his need" about 2 1/2 centuries before Marx put the nonsense into words.

Why did these forefathers of ours abandon this practice? They were starving! No intelligence is required to give away food and fabric but to do so presupposes something in the warehouse. Their warehouses were too near empty to sustain life.<sup>2</sup>

What was the cure for this ignorance in action? Governor Bradford and the remaining Pilgrims turned to the wisdom of the market-private ownership, that is, to each according to his productivity. Success attended this wise move, thereby setting the stage for the American miracle!

Unfortunately, an increasing number of Americans -millions of them-have all but forgotten their

remarkable heritage, a root of which was the Pilgrim awakening. It is an observed fact that these millions are becoming more and more afraid of and are running away from the American revolutionary concept. What, then, are they running toward? The *Communist Manifesto*, the nonsense from which, the Pilgrims escaped long before Marx advocated it: "From each according to his ability, to each according to his need." The eventual economic by-product? Unless the trend is reversed, it must be empty warehouses!

The trend cannot be reversed unless we discover the causes that are to be avoided and the cure that is to be taken. Such discovery depends upon improved analysis and thinking.

The first cause will come as a shock to most people: "If you are not a part of the solution, you are a part of the problem." It is self-evident that those who pay no heed to the present trend-afflicted with complacency-are a part of the problem. They drift with the ideological tide-unknowingly. As a consequence, they vote in accord with the current tide, that is, for the planned economy and the welfare state: socialism, ignorance in action.

The second cause is a lack of awareness of the American heritage or its genesis. People observe socialism advancing and at the same time they experience increased prosperity. Jumping to a false conclusion they attribute their material well-being to the socialism-a seriously mistaken correlation. We are as prosperous as we are only because our productivity is strong enough to carry on *in spite of* the socialistic nonsense.<sup>3</sup> Briefly stated, the genesis of the prosperity we still enjoy is this: The Constitution and the Bill of Rights more severely restrained government action than ever before in history, limiting government to keeping the peace and invoking a common justice. There was a minimum of organized force standing against the release of creative human energy. The result was an unprecedented outburst of creativity-the miracle!

Finally, how does one become a part of the solution? By trying to become an aristocrat as defined by Jefferson: "There is a natural aristocracy among men;

it is composed of virtues and talents."

The reason that we are witnessing such an abundance of nonsense in action is a devastating slump in virtues and talents among individuals in all walks of life-religion, education, business, labor or whatever. Nonsense runs rampant whenever the aristocratic spirit is weak and faltering; it is checked, held in abeyance, whenever virtues and talents are rising to set a glorious standard.

Your role and mine? We have no short cut except to exemplify as best we can the aristocratic spirit. Only then does each of us become *a part of the solution!*

<sup>1</sup> For a further and enlightening development of this point, see "*Changing Concepts of Private Property*" by Bertel M. Sparks (*The Freeman*, October 1971).

<sup>2</sup> See *Of Plymouth Plantation* by William Bradford, edited by Harvey Wish (New York: Capricorn Books, 1962).

<sup>3</sup> See "An American Mirage" in my book, *Awake for Freedom's Sake*.

## Nelson's Favorite Quotes

"There is a tremendous element of dependency in the act of worship. You will worship that on which you are dependent." — R. Nelson Nash

"We have met the enemy — and he is us" — Pogo Possum, a comic strip character created by Walt Kelly

"I have no respect for the passion for equality, which seems to me merely idealizing envy." — Oliver Wendell Holmes

Galatians 5:1 NLT

So Christ has truly set us free. Now make sure that you stay free, and don't get tied up again in slavery to the law.

**Nelson's Live Seminars & Events  
for September & October 2016  
<http://infinitebanking.org/seminars/>**

***Sacramento, CA - Nelson Nash Seminar***

*September 9-10, 2016*

Contact Kaye Lynn Peterson  
916-806-1214 [ff@kayelynn.com](mailto:ff@kayelynn.com)

***Nelson Nash "Becoming Your Own Banker"  
Seminar in Red Deer, Alberta.***

*September 17, 2016*

Contact Dale Moffitt  
403-872-7135 [Dale@macdevfinancial.com](mailto:Dale@macdevfinancial.com)

***Nelson Nash - 8 HR - Client-Only Seminar in  
Edmonton, Alberta.***

*September 24, 2016*

Contact McGuire Financial Inc  
Edmonton - 780-462-1289  
Calgary - 403.538.6898  
Toll Free 1.877.364.8204

***Nelson Nash in Lawrence, KS***

*September 30 - October 1, 2016*

Contact Michael Everett  
785-760-3189 [michaelkeverett@gmail.com](mailto:michaelkeverett@gmail.com)

***Nelson Nash Seminar in Framingham, MA***

*October 7-8, 2016*

Contact Nancy Jackson  
817-239-6441 [nancy@bcbstexas.com](mailto:nancy@bcbstexas.com)

***Nelson Nash in Louisville, KY***

*October 15, 2016*

Contact Kick Kosko  
502-608-3221 [Nick.kosko@oldkyins.com](mailto:Nick.kosko@oldkyins.com)

***Fort Worth, TX Nelson Nash Seminar***

*October 21-22, 2016,*

Contact Julee Neathery  
817-790-0405 [julee@bankingwithlife.com](mailto:julee@bankingwithlife.com)  
<http://jamesneathery.com/>

**Welcome the newest IBC Practitioners  
<https://www.infinitebanking.org/finder/>**

The following financial professionals joined or renewed their membership to our *Authorized Infinite Banking Concepts Practitioners* team this month:

- [Reginald Thompson - Jackson, MS](#)
- [Jason Henderson - Logan, UT](#)
- [Richard Gailey - Heathrow, FL](#)
- [Tim Yurek - Wilkes-Barre, PA](#)
- [Jim Kindred - Saint George, UT](#)
- [Clay Campbell - Houston, TX](#)
- [Tom Eckols - Austin, TX](#)
- [Glen Zacher - Edmonton, AB](#)
- [Tommy Ruff - Harrison, AR](#)
- [Carolina Montibelli-Hajny - Renton, WA](#)
- [Dennis Guy - Marianna, FL](#)
- [Jeffrey Malas - Yorkville, IL](#)
- [Sarbloh Gill - Edmonton, AB](#)

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**Nelson's Newly Added Book  
Recommendations  
<https://infinitebanking.org/books/>**

*America's Counter-Revolution: The Constitution Revisited* by Sheldon Richman



We are excited to share the new website  
**[Lara-Murphy.com](http://Lara-Murphy.com)**.

With the site, Carlos Lara and Dr. Robert Murphy have expanded their unique Austrian economic message found in their monthly newsletter, the *LMR*.

Personally, I most enjoy their online weekly Podcasts and want to share the Podcast link with you.

Let us know what you think!

