

A Hayekian Worldview:

Natural Selection and the Evolution of Life,
Society, the Economic Crisis, Hip-Hop, and
F.A. Hayek's Coming Intellectual Revolution

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Men in cover:

First row: Ludwig von Mises, F.A. Hayek, Henry Hazlitt

Second row: Murray N. Rothbard

Third row: Carl Menger, Herbert Spencer

Fourth row: Osama bin Laden, Winston Churchill

Back cover: F.A. Hayek at age 19, serving as an artillery spotter for the Austrian Army in 1918 during WWI.

Osama bin Laden image comes from Hamid Mir, a Pakistani news reporter at the time see

http://en.wikipedia.org/wiki/File:Osama_bin_Laden_portrait.jpg

To Herbert Spencer and Friedrich A. Hayek

To the players, and especially the haters

“The solution to the present problem of massive, overwhelming poverty is nothing other than the science of economics. As should be increasingly clear, economics is a science which can make possible the construction of a social and political system in which human success is a feature of normal, everyday life everywhere. It is truly the humanitarian science, and only those who have studied it well and who are prepared to implement its teachings deserve to be called friends of mankind. The most important charity which true friends of mankind can pursue is to disseminate knowledge of this vital subject as widely and as deeply as they know how.”—George Reisman

“Economics deals with society’s fundamental problems; it concerns everyone and belongs to all. It is the main and proper study of every citizen.”—Ludwig von Mises

“Economic history is a long record of government policies that failed because they were designed with a bold disregard for the laws of economics.”—Ludwig von Mises

“It is human nature that repeats itself, not history.”—John Toland

“Everybody has asked the question. . . “What shall we do with the Negro?” I have had but one answer from the beginning. Do nothing with us! Your doing with us has already played the mischief with us. Do nothing with us! If the apples will not remain on the tree of their own strength, if they are wormeaten at the core, if they are early ripe and disposed to fall, let them fall! I am not for tying or fastening them on the tree in any way, except by nature’s plan, and if they will not stay there, let them fall. And if the Negro cannot stand on his own legs, let him fall also. All I ask is, give him a chance to stand on his own legs! Let him alone!”— Frederick Douglass

“They got a war on drugs so the police can come and bother me.”—Tupac Shakur

“We haven’t convinced the majority. Is this because the majority just won’t listen to reason? I am enough of an optimist, and I have enough faith in human nature, to believe that people will listen to reason if they are convinced that it is reason. Somewhere, there must be some missing argument, something that we haven’t seen clearly enough, or said clearly enough, or, perhaps, just not said often enough.

A minority is in a very awkward position. The individuals in it can’t afford to be just as good as the individuals in the majority. If they hope to convert the majority they have to be much better; and the smaller the minority, the better they have to be. They have to think better. They have to know more. They have to write better. They have to have better controversial manners. Above all, they have to have far more courage. And they have to be infinitely patient.”—Henry Hazlitt

“It is dangerous to be right when the government is wrong.”—Voltaire

“forgive them, for they do not know what they are doing.”—Jesus Christ

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I. Introduction

F.A. Hayek and Natural Selection

In June 2010, Nobel Prize winner in Economics Friedrich August von Hayek's book "The Road to Serfdom" became the bestselling book in Amazon.com thus making it the fastest selling book in the world at the time¹. In his famous book, first published in March 1944, Hayek warned the world about the economic policies being pursued and how they would inevitably lead to economic crises, political turmoil, and eventually "Serfdom" or a kind of slavery to gigantic government bureaucracies. Hayek predicted the global economic crisis we currently find ourselves in and the world is just beginning to catch up to his ideas; ideas which are currently fueling an intellectual revolution which is hopefully about to explode into the mainstream and transform society. Although Hayek might best be known for his classic book and being a famous economist, he was much more than that, perhaps no other human being has pieced together as coherent an understanding of the world as he has, thus making him one of the greatest intellectuals mankind has yet to produce. If mankind is to overcome its socioeconomic problems and reach a state of peace and increasing prosperity it *must* stumble upon Hayek and like-minded thinkers² just as surely as mankind had to stumble upon an understanding of bacteria in order to cure disease.

The central theme of this book can be summarized by the following words Hayek wrote:

"We understand now that all enduring structures above the level of the simplest atoms, and up to the brain and society, are the results of, and can be explained only in terms of, processes of selective evolution..." (Hayek F. , 1981, p. 158)

This book is about the single law of nature that creates everything around us, both the biological as well as the socioeconomic worlds, that law being *Natural Selection*.

Whether we know much about natural selection or not, most of us associate it with people like Charles Darwin and the biological world of animals and living things, but natural selection also evolved the socioeconomic order and things like religions, laws, customs, language, and especially for our purposes, the many socioeconomic institutions that make up our modern economies like money, the banking and lending industries, stock markets, interest rates and more. In other words, at a fundamental level natural selection creates both the biological as well as the socioeconomic orders.

At the most fundamental of levels, natural selection is a simple process that creates order. For example, if we could travel back in time about 4 billion years, there would have been no complex life forms like what we have today; there probably would have been what is commonly referred to as the "chemical soup", which can be seen as a sort of chaotic sea of atoms/molecules. Out of this chemical soup, order and complexity arose and eventually those molecules became ordered in a way that led to the first living

cells. Complexity and order continued to increase and eventually single cells were ordered in a way that led to the first multi-cellular life forms like plants, animals, and eventually us humans. Just like atoms are the building blocks of molecules, and molecules are the building blocks of cells, and cells are the building blocks of animals, human beings can be said to be the building blocks of the socioeconomic order, or also the cells of what can be called the “social organism”. This increase in order and complexity as time goes by, and looking at human beings as being cells in a larger social organism are not just interesting observations that I am sure many readers might have noticed themselves; they are the inevitable result of natural selection building higher and higher levels of order and complexity.

What we commonly refer to as biological evolution can be seen as natural selection building the order and complexity that we call living things. In the second chapter we will focus on how natural selection reordered the primordial chemical soup to create and evolve life. The third chapter, which will deal mostly with what is commonly referred to as economics, will show how natural selection evolved the social order, in other words, how in just a few thousand years, natural selection reordered and expanded tribal human beings to create the modern global economy. The fourth chapter will show how natural selection has evolved our culture (laws, religions, customs), and just as importantly, how the evolution of culture is intertwined with economic growth.

The bottom line is that there is a single and simple law of nature, *natural selection*, that when properly understood can explain at a very fundamental and profound level how things that exhibit order, both biological and socioeconomic, have naturally evolved.

Most people fear the concepts of natural selection and evolution with good reason, we don't really understand them, especially when it comes to the concept of race and socioeconomic achievement. Popular phrases associated with evolution like “survival of the fittest” can scare us and keep us away from learning these vital subjects. Racist ideologies like the ones that flourished in Hitler's Germany were also heavily influenced by faulty evolutionary thought.

Natural selection and evolution are misunderstood and need to be re-explained in a different way. Natural Selection can be said to shape everything including the things we like and don't like about ourselves: the way we smile, the cities we live in, the microchips that run our computers, the music we like, etc. By understanding how natural selection works and shapes everything we can better understand ourselves, our society, and gain insights as to how we can help shape a more prosperous world.

Since natural selection creates the world around us, understanding it is the key to understanding how the world works and overcoming the current economic crisis. This will be a book about sex, economics, music, love, poverty, racism, education, politics, suicide, Jews, Christians, Muslims, Hip-Hop, interracial porn, Osama bin Laden, morals, environmentalism, government spending and regulation, the legal and penal systems, patents, privatization, China, Winston Churchill, the first and second world wars, terrorism, the Ron Paul Revolution, and a whole lot more. By the time the reader is finished with it humanity will not look much different than any other animal that just blindly follows some simple instincts, waiting for natural

selection to replace it with something else. The reader will be able to see how fragile our socioeconomic order really is, and at the same time how easily and quickly it can be strengthened. And I'm not making these big claims because I am some arrogant genius, far from it. It just happens to be the case that understanding how the world works *is* easy, and therefore even a lowly Cuban immigrant who is far from being an expert in anything can explain how much of it works.

Although most of this book can be seen as an introduction to economics, I also wanted to briefly discuss a cultural phenomenon that plays a significant role in society and does not get much critical attention: the rise and dominance of the African American dominated Hip-Hop culture and its effects on American society and the world.

Introduction to discussion on Hip-Hop culture and its impact on America and the world

The black male dominated Hip-Hop culture has to a large extent transformed mainstream American popular culture and it affects society in ways most people don't even realize. Black men are quickly reshaping the male ideal, they dominate sports and music, they are the trendsetters. It is increasingly common to see white people supposedly "acting black" when insulting each other in popular daytime shows or just trying to be cool because the cultural symbolism that currently defines what is cool in America comes from the Hip-Hop world. And it is not just in America, Hip-Hop and its cultural symbolism is what increasingly defines what is cool all over the world in the minds of today's youth just like other American cultural elements have done in the past. A few minutes searching for music videos in popular sites like video.google.com and youtube.com will find rap/hip-hop videos from every corner of the world. There are Russian, Jewish, Spanish (the Latin world already has a new mainstream sound called Reggaeton which borrows much of its cultural symbolism from American rap/hip-hop), French, and even Arab rappers.

Many white Americans and Hispanics, I would guess a majority of those over the age of 50, despise Rap/Hip-Hop culture and blame it for many social ills. Some don't even consider Rap to be music at all, they feel like trends come and go and can't wait for Rap/Hip-Hop to change into something else. In today's America, a growing white teenager has a dwindling supply of "cool" role models that look like him. Until very recently all human beings lived in small groups where the local heroes or ideas of what was idealized or considered cool was shaped by people of the same race. We all had role models who looked like us and whose greatness we could all hope to emulate. But this is no longer the case in the USA where black men dominate sports and popular music. In one way, especially for the younger Hip-Hop-influenced generation of Americans, black men are increasingly being seen as cool, sexy, outspoken, defenders of civil rights, the victims of social injustice, the tough and manly ones, the economically exploited ones. And white men are associated with being a "white boy", awkward, un-athletic, goofy, the nerds, the evil greedy capitalists. For some other people, especially an older generation of white Americans, it might be the reverse, with a heavy condemnation of Rap/Hip-Hop culture. They might have thoughts that go more along the lines of young black males being a bunch of lazy brutes,

incapable of contributing to a modern civilized world, much more prone to crime and violence. I can just imagine older white folks getting together for lunch after their Sunday sermon discussing the evils of Rap music and how it is at the core of today's corrosion of morals and so on.

Why is it that young white males are so disproportionately underrepresented in today's popular music? White Americans are the sons and daughters of the same creative people that brought us so much great music during the 60s, 70s, 80s, and early 90s. The hair bands of the 80s might have looked like girls but there was no doubt they were men, they had mojo and the women to prove it, but this is no longer the case today. Today's white male musicians have piercings, tattoos, pointy hair, skateboards and sing about problems or their new found love for Jesus. Black musicians on the other hand sing about God too, but also offer athletic bodies draped in gold and jewelry and sing about money, power, and sex which is way more attractive to our human nature and therefore more easily absorbed by the growing generation of Americans and other youth all over the world.

Black comedian Dave Chappelle at one point was the most popular comedian in the US, his Season 1 DVD became the #1 all-time best-selling TV show on DVD with over 2 million copies sold. Making fun of white people was very common in his show. In one particular episode a young white man moved in with a group of young blacks. The "white boy" tried desperately to fit in and be liked by the black people who used and mistreated him in every possible way. When the white boy's girlfriend visited him she immediately became the black men's sex toy and very willingly so, giving the impression that hot white girls are just dying to be with black men, which is true for some and increasingly so as Hip-Hop's cultural symbolism entrenches itself more and more in the minds of people. It seems like 'black men'/'white women' relationships are like roaches, by the time you see one you can be sure there are another hundred or so you don't see. If you go to the hottest clubs where Hip-Hop rules you will see many of the hottest women with black men. The Internet is full of porn and by now I think one can safely say that it is a more or less regular part in the life of high school boys and most men under 30 who grew up with the Internet. A popular type of porn is interracial porn where by far the most popular of this kind is white women having sex with black men and sometimes even purposely humiliating white men in the process³.

Obviously this is a very large generalization/exaggeration of the Hip-Hop-blackmenizing of America and does not apply to everyone but people who do not see some truth to the previous statements are disconnected from what things are like in growing America. When congressmen and many Americans talk about today's declining morals and unproductive chaos amongst our youth, although most won't specifically say it for fear of being labeled racists, in many ways it is Hip-Hop culture that they are referring to.

Regardless of the possible factors involved, which I will leave to a later chapter, African Americans seem to be a little bigger/stronger than other races in America and quite possibly the world, and this inevitably and quite naturally affects the way some might see themselves and how others see them. This, as well as the comments already made and other factors which will be discussed later have a profound effect on the racial dynamics of America as well as Europe, and at a more fundamental level are similar to the racial

problems that plague all other parts of our world, and only with the proper understanding of evolution and economics will we be able to make sense of them and overcome them.

Race relations in America as well as in other parts of the world are a constant struggle. This whole living together in harmony thing is rather new to mankind and our instincts are for conflict. The truth is that some aspects of what is commonly referred to as “racism” is natural and something that all human beings are easily susceptible to. And just like we are easily susceptible to violence, yet for most of us, our upbringing shapes us to easily overcome this, so called “racism” too is something that although we might be easily susceptible to, it too is something that can be easily overcome as we grow up, interact with people, and absorb cultural values and ideologies conducive to overcoming such potentially “racist” tendencies. Political correctness, law, religion, a few other things that will be discussed later like cultural evolution, and the hope and good intentions of most human beings are preventing different ethnic/racial groups from continuing the warfare that has been with mankind from our inception. But the real problems don’t go away, they just lay dormant waiting for the next socioeconomic crisis, a crisis that due to America’s and Europe’s dire economic situation is really just beginning and will continue to deteriorate.

Chapter 9 “Race and Hip-Hop’s Influence” will look at the kinds of things just discussed from an evolutionary and economic perspective that I hope will shed some light on this highly taboo and controversial subjects and whole lot more. I have high hopes that the American experiment will be successful, and that in many ways, things like America’s progress in race relations¹, and even Hip-Hop culture itself thanks to its defiance of the mainstream and its strong message of individualism, will help provide a great spark for the intellectual revolution that is already growing and will be needed to quickly turn things around.

Although these last few pages have dealt with race, our problems are much bigger. The world, especially thanks to the Internet, is changing very fast. Our fading religious values, morals, taboos and ideologies, can no longer cover up, or mold like they used to, a flexible human nature that is now sort of bursting at the seams. The world could use a new set of morals and ideology, a common theme in which everyone regardless of his/her race or socioeconomic status could truly feel welcomed and connected with every other human being. What if this theme and the connection it fosters amongst people were thicker than blood? I believe that an understanding of the concepts that will be discussed here are not only crucial for making sense of how the world works and making it better, but will also help us transform the way human beings look at each other for the better.

¹ Progress indeed, we recently elected a black(or half black) president. Another great symbol of progress is how much we love our black athletes in the US. Millions of white people pay big bucks to go see basketball games where many times a white person will not touch the ball unless he is a referee. We buy our kids the black athlete’s jerseys and so on. Compare this to a place like Spain in “civilized” Europe, where black soccer players are sometimes greeted with monkey noises and banana peels see <http://goo.gl/zjoSq>

Capitalism and Communism introduced

Although showing how natural selection shapes the biological and socioeconomic worlds is the book's underlying theme, the subject we commonly refer to as economics will be the most heavily emphasized. How biological evolution creates life and shapes our nature can be fascinating, but it is not what brings about the socioeconomic prosperity we all desire and our very lives depend on. The proper understanding of economics is the difference between having to cannibalize your children as has occurred due to bad economic policies in communist countries⁴, and having even the poorest members of society be well fed, as is the case in more capitalist or market oriented societies like in the US and Japan.

As I hope it becomes increasingly obvious in the coming chapters, the key to economic prosperity is individual freedom. The economic/political/moral system whose goal is to protect the freedom of individuals is most commonly referred to as Capitalism. Unfortunately most people have a vague and often times erroneous idea of what Capitalism really is, so let's briefly digest our first bite-sized chunk of economics related knowledge by learning about and discussing the differences between Capitalism and Communism.

⁵Capitalism can be defined as an economic/moral/political system where the government essentially enforces two simple laws, they are:

1. Do all you have agreed to do⁶
2. Do not encroach on other persons or their property

The first law is the basis for what we call contract law, and it ensures that people keep their word and do not defraud each other. For example, if a builder agrees to build a 5 bedroom house for \$150,000 and simply runs away with the money or builds a 2 bedroom one, he has not done what he agreed to do, he has committed fraud and the government should step in to fix the situation. The second law makes all acts of theft and violence illegal which forces all human beings into peaceful interaction. In a capitalist society no one can be forced to do anything that they don't want to do. People are free to live as they wish as long as they don't harm others or their property, or cheat on their contracts, and the sole role of government is to protect the freedom of the individual and prevent/punish fraud, not to manage society and do the countless other things governments do these days. The only amount of money or resources that the individual would have to give the government would be those needed for the government to enforce the two laws, which for our purposes we'll limit to national defense, courts, police and that's about it. This means that in a 100% capitalist society there would be no public education, no Social Security or Medicare that takes care of the elderly and their healthcare, no welfare that takes wealth from some to give to the poor or have-less, no government funding of the arts and sciences, no Food and Drug Administration(FDA) that attempts to check the safety and efficacy of our medicines, no American Medical Association(AMA) that dictates who can or can't legally practice medicine and what they must learn in order to do so, no "War on Drugs" that attempts to prevent people from taking certain substances, no Federal Reserve managing the nation's banking and financial systems and dictating what should be used as money; no to these and countless other government programs because they have nothing to do with

protecting the freedom of individuals and in order to pay for these things the government would have to violate law #2 and forcibly take wealth from people who might not want to fund these government programs/functions. This is more or less the essence of government in a 100% capitalist society; it protects the freedom of the individual to do with his money/property/body as he wishes as long as he does not defraud or harms others, period.

It is important to note that Capitalism is synonymous with individual freedom, and that there is no visible entity managing or controlling the economy or whatever social order emerges out of the interactions of these free individuals. To many it can easily seem like a recipe for social chaos.

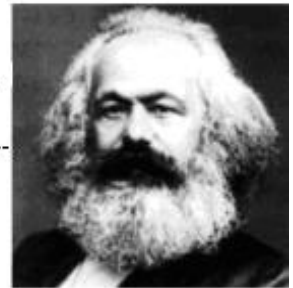
The opposite of Capitalism or 100% individual freedom is Communism or 100% government control. In a purely communist society there is no private property, everything is owned and controlled by the government or public sector. A communist society can be seen as a society where the individual is taxed at a rate of 100%. If you are taxed at a rate of 100% then you do not have the means with which to buy or own anything, and everything that you need like education, health care, housing, food, etc., must be provided by the government at no direct cost to the individual. In a communist society, since the government provides everything for its citizens, it has no choice but to take away their freedom in order to provide these services. It should be obvious that for the government to provide services to society all people cannot be free to do whatever they want, people have to work for the government in order for it to function, and the more services the government provides for people the more people have to work for the government and therefore the more resources have to be controlled by it.

Ludwig von Mises

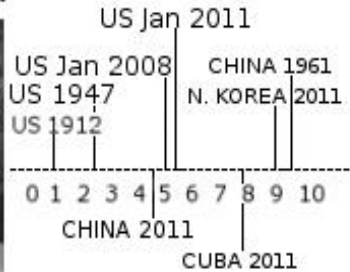


Capitalism
 99% Individual Freedom
 1% Government Planning

Karl Marx



Communism
 1% Individual Freedom
 99% Government Planning



Above we have a figure showing Capitalism on one side represented by one of its most important intellectuals, Ludwig von Mises, and Communism on the other, represented by its most famous intellectual, Karl Marx. All governments fall somewhere in between, for example, on the communist side of the spectrum today's North Korea might have the most government controlled and therefore communist economy in the world and it would land near the 9. Mao Zedong's China during 1958-62, a period in which 20-40 million Chinese starved to death, at times might be considered to be even more government controlled or communist so it might be placed even closer

to the 10. Although not on the image, Stalin's Soviet Union during the 1930's (and also depending on where you lived) would also land in the 9-10 range. In these kinds of societies the government controls many things, from what people can eat, when they can sleep, what education is available, who gets what medical treatment, what people should work on, what opinions can be expressed, etc. And whatever food, medical care, housing, or wealth people have is provided by the government. I've placed today's Cuba at about a 7.8. There is considerably more freedom, some people can start some small businesses and have more control over their lives, but these small businesses are still highly regulated and therefore controlled/influenced by the government.

On the capitalist or freer side of the spectrum we have the United States near 1912 which I've placed at around the 1. People were very free by today's standards, there wasn't even an income tax and the government provided very little in terms of services and social planning. Americans and the companies they created, in other words, the private sector, provided for most goods and services instead of the government/public sector as is the case in the communist countries. The public sector at the federal, state, and local levels combined, consumed or controlled about 10% of the nation's wealth on average⁷. By 1947 the public sector had grown to control or consume about 22% of the economy, Franklin Delano Roosevelt's "New Deal" government programs like Social Security were part of the many new government programs that took the public sector's share of the economic pie from about 10% to about 22%. We can see that by Jan. 2008 the United States has moved towards Communism quite a bit. About 43% of the nation's economic pie is either directly controlled or heavily managed/regulated or coercively distributed by government at the federal, state, or local levels. Today's U.S. obviously has a much bigger government that does much more social planning. It provides many services like public education well into adulthood; welfare for the have-less; medical care/retirement for the elderly via social security; says what can or cannot be a medicine via the Food and Drug Administration; how much money someone can legally work for (minimum wage laws); how to build homes/cars/planes/ladders/toys to make them safe or environmentally friendly, etc. Pretty much everything these days has to meet some government issued requirement. All of these things are obviously done in good faith, most people believe that this makes the world a better place and often gladly vote for higher taxes in order to give the government even more things to do. Today's U.S. government does these and countless other things which it did not do in 1912 because at the time it did not have the legal power to take the needed resources from the private sector to feed/clothe/nourish the millions of public sector employees and government contractors needed to provide so many services. In order for it to do so much in 2008 it has to tax and take from Americans a much larger amount of money and resources than it did in 1912.

For our current purposes it does not matter whether a capitalist or communist government is democratically elected, a monarchy, military dictatorship, theocracy, run by "good" or "evil" people, or which one might be better or even preferred by members of society. All we want to accomplish is to define them and understand their main differences which can be said to come down to two things: 1) the amount of wealth the government takes away from people via *taxes* or other means as will be discussed later, and 2) the

amount of freedom to act or *decision making power* enjoyed by individuals. Let's say a few more things about reason number 2.

Say you want to open up a school in a truly free and capitalist society. Easy, you do whatever want, teach whatever people are interested in in order to lure their business, charge whatever you find suitable in order to lure customers. As long as you don't harm anyone or commit fraud by for example charging for 5 hours of instruction while only providing 1, then everything is great. Now let's assume that the government suddenly says that every person employed in the teaching of children must pass some government mandated child psychology classes. In this case the government is not taxing you, it is forcing you to do something a certain way. If you teach or hire someone that has not taken the classes you are now a criminal who will suffer some punishment, and should you resist this punishment by defending yourself against the government you might get killed. When the government dictates the way something should be done it is *regulating* the economy. If the government then regulates you further by telling you how much you are allowed to charge for lessons and how much you must pay teachers, the amount of government regulation has increased and society would move closer to Communism where everything is dictated by government or the public sector. Although government regulation is not like a direct tax that coercively transfers wealth, it further diminishes the amount of wealth that can be freely used because some of this wealth has to be spent adhering to the government regulations and also ends up forcing people to do things in less profitable ways. If government regulations did not decrease businessmen's profits or increased them, then there would be no need to use government force to enforce them since businessmen would already be adhering to such regulations in order to make more money. In the teaching example the costs of doing business would be higher because teachers will end up asking for more money to compensate for the additional schooling they had to pay for and so on. This is just like with doctors who have to pay tens of thousands for their education and eventually pass the costs on to patients/consumers. If we take into consideration the amount of wealth that is consumed from the economic pie due to the increased costs associated with regulation, the amount of wealth that remains in the hands of freedom becomes significantly smaller. For example in 1947, as previously mentioned, government transferred about 22% of the economic pie, to this amount we add about 4% in additional costs associated with complying with the regulations that existed at the time and we have a total of 26% of the economic pie that is redistributed/controlled/influenced by government and a remaining 74% left for a more truly free private sector. By 2004 the government transferred about 43% of the economic pie and regulatory costs ate up 15% for a total of 58% leaving only 42% of the economic pie under the control of a more truly free private sector⁸.

So we can say that government interferes with free individuals in two main ways, by taxing them or taking wealth from them, and by regulating their activities and therefore forcing them to do things a certain way (or not at all as in the case of *prohibitions*). Again, at this point we don't care to examine whether some, much, or perhaps no taxation or regulation is good or bad, we just want to identify these concepts and get a feel for them and how they relate to Capitalism and Communism.

The more the government does, oversees or regulates, the closer to Communism a society gets. The less the government does, oversees or regulates and therefore the more the 'private sector'/'free individuals' do/oversee/etc., the more capitalist/free a society becomes.

Although we rarely ever think about it this way, whenever we ask the government to do something, we are asking the government to coerce people who do not want to go along with, or contribute to, whatever we want the government to do. This might sound a little extreme but it is an important truth nonetheless. Take public education for example, public education means that anyone who does not want to fund it via taxes is a criminal and should be thrown in jail. If you don't have any children and would rather send your money to relatives dying of hunger and disease in a third world country instead of paying for a public school system you might not want any part of, you will still be arrested and thrown in jail if you don't pay the taxes that fund it. If you would like to use your money to send your children to a private school, and even though you will not be using the public school decide to still pay 20% of the taxes because you feel like that way people who are too poor to afford private schooling can still get an education, you are still a criminal for not paying 100% of the taxes regardless of your charitable ways. Say you have a particular ailment for which you obtain a medicine without the consent of a government certified doctor, in other words, you got the medicine without an American Medical Association licensed doctor's prescription. Once again you have committed a crime and will be punished.

For every government action there are two sides. The naive and wonderful outcome we hope to achieve by such action, like having every child grow up to be a productive and happy member of society thanks to a wonderful public education, and there is the other side to such government actions, the fact that everyone who does not want to go along with the government plan, or might not like the way it is carried out, is forced to go along, or imprisoned or killed should they refuse to do so. Everything that the government does involves coercing those who for whatever reason don't want to go along. As George Washington said "Government is force".

Another way to look at the political spectrum the picture above shows is as follows. Whatever political/moral/economic system one can think of, one is ultimately describing the reasons for which an individual can be labeled a criminal and be subject to punishment. In a free/Capitalist society an individual commits a crime only when he/she harms another person or their property or cheats/defrauds others. The more taxes and regulations a government imposes the more reasons there are to make criminals out of people who have not harmed or defrauded anyone. A tax basically says that one is a criminal if one does not give up a certain amount of wealth to the government even though the "criminal" has not harmed anyone or committed fraud. A government regulation says that one is a criminal for doing things the government does not want one to do even though, once again, one is not harming anyone or their property or defrauding them. Once again I want to mention that at this point we are not concerned with whether some/much/which or no taxation or regulation is good or bad, we just want to add all of these concepts to our minds for now.

Next let's briefly discuss Socialism. Anything that is 'socialized' means that it is run by the government or public sector. For example, in the United

States, a single 30 year old male has to pay for health care directly by purchasing health insurance from a company in the private sector or paying his own medical bills. If the people via their politicians decide that the United States government should offer everyone health care regardless of his/her ability to pay, as might soon happen due to newly passed legislation by the Obama administration, then we say that healthcare has been socialized, it has gone from being provided by the private sector to the government/public sector. Instead of people directly sustaining the healthcare sector and its millions of employees by purchasing their services, the government now coerces people via taxes or mandatory fees to come up with the necessary wealth with which to sustain the millions of healthcare professionals that will provide such healthcare. The more sectors of the economy are socialized the closer to Communism the economy becomes. When all sectors of an economy are socialized and therefore managed by government, we have 100% Socialism or Communism. So once everything is socialized we say we have Communism, until then, we have various levels of Socialism, with 100% Socialism being Communism. Throughout the book I will often times refer to Socialism and Communism as if they were equal because in essence they are the same, they are about government or public sector control as opposed to individual control/'the private sector'. I should also add that this is just my definition for now; others have slightly different definitions of Socialism and Communism.

The three years from Jan, 2008 to Jan, 2011 by themselves provide a great example of how the United States government continues to grow as it socializes more and more of the economy. In the picture above I've got Jan. 2008 somewhere at around 5, and Jan 2011 at about 5.4. These numbers are very much a rough guess whose certainty we need not be concerned with but still help explain the main point: that due to the various government bailouts and meddling in the economy given the so called economic crisis, the amount of wealth and decision making power in control of government has greatly increased. In just a few years the government has dictated what is to happen with: large chunks of the financial sector by controlling the fates of companies like AIG, Citibank, Lehman Brothers; the auto industry via the bailout of General Motors where billions of taxpayer dollars helped save and reassure the pensions and benefits of GM's unionized employees while Americans who owned GM stock lost their wealth; the real estate mortgage industry via the government's bailouts and increased ownership of mortgage giants Fannie Mae and Freddie Mac. Congress also approved the transfer of 700 billion dollars worth of taxpayer wealth to do who knows what via the so called "stimulus". One of President Obama's cornerstone pieces of legislation, his "Healthcare Reform" has passed which further regulates the large healthcare sector by forcing insurers to do things a certain way as well as force people to pay for coverage they might not want. These are just a few examples which have occurred recently and help us see how more and more wealth and decision making power moves towards the central government as opposed to the free individuals in the private sector.

I placed today's China at about 4.5, considerably freer than the US. One might ask: "How can this be? Doesn't everyone know that China is a Communist country?" China is not a Communist country in an economic sense. It might have a single-party government⁹, but again, in the economic sense, it might¹⁰ be freer than the United States. For example, the rate at which

corporations are taxed by the Federal Government in the U.S. is 35% to which you can add another few percentage points depending on the state that you live in to pay for state corporate taxes. In China this rate is 25%. Where would you rather invest your savings? In the U.S. where businesses have to give up at least an additional 10% of their profits to the government, or in China where they get to keep that amount? This is just one of the many reasons why wealth goes to China to build factories and businesses over there instead of over here.

Government economic experts are wrong. Bernanke gets it wrong, over, and over, and over, and over.

When people are free from government taxation and regulation, the social order that emerges from so much individual freedom is far superior to what we get when the government taxes people to create all kinds of public services and regulatory bodies like the Food and Drug Administration, American Medical Association and many more. To most people getting rid of government provided “social services” like public education, Social Security and Medicare for the elderly, and the aforementioned FDA and AMA seems like an obvious recipe for social chaos and “great social injustices”, and I believe that most people reach these conclusions with good logical reasoning.

Most of us look at society and quickly come to the conclusion that there are many kinds of problems that can best, or perhaps only, be handled by government. For example, most of us feel like we need the FDA to ensure the safety of our food and drugs. If not the FDA, then who is going to do this? Are we going to just let the drug companies or anyone say that their products are safe? Thinking along the same lines we feel like we need the American Medical Association to license doctors to make sure that they know what they are doing and prevent some crackpot from operating on people and potentially causing great harm. We also know how selfish and nasty human nature can be and feel like by having the government force everyone into sharing we can make society a little nicer than it would otherwise be. If you and I are the only ones being charitable and helping educate the poor or helping those who have fallen on hard times, it makes it a lot harder on us if we are the only ones being charitable, and it is for this and many other reasons that most people like the idea of taxation, this way everyone is forced to contribute and you don't overburden the nice and charitable people, and at the same time sort of force those greedy people to contribute to this sort of social safety net. Let's face it, most of us are so nice and “humanitarian” that even if selfish, greedy, and “racist” parents lost all their money and suddenly died leaving 2 children behind, we would not want their children to possibly starve to death, or leave their fates up to an uncertain charitableness by society, or so the usual thinking goes.

Another important reason why we feel like all of these government programs and regulations are good is because our mainstream economics establishment and government experts feel like we need them as well. If most government experts and university economic departments in the country fiercely advocated getting rid of so much government and having real Capitalism, even though we might still have a hard time believing how this might be better, most of us would come to accept their judgment and regard such issues as the sort of things that are better left to the experts. But obviously this is not the case, the vast majority of government experts, regulators,

economists, medical doctors, professors and many other professionals believe that we are better off having government handle many things. This sort of thinking makes a lot of sense and provides a very powerful ideology that defends so much government in our lives and leads to fears of individual economic freedom/Capitalism. Since we live in a democracy, for the most part we get the government or economic system most people desire. Any politician that wants the US to be too close to 100% government control/Communism would not get enough votes. And the same can be said about a politician that wants to abolish most of the public sector and thus get the country closer to 100% Capitalism; most people would fear so much freedom and lack of government.

The key to overcoming such fears and change our ideology from being a big-government one that fears freedom and inadvertently slides towards Communism to one that welcomes freedom is to understand economics. As I hope it becomes obvious in the coming pages, the world would be tremendously better off if we privatized as much as possible, but again, the only way we can see so much freedom as a recipe for prosperity instead of chaos is by having the right understanding of economics. Since many of the concepts and solutions described in this book might initially seem radical and a recipe for chaos, as well as go counter to the advice of our government's experts, let's briefly see how wrong some of the biggest government experts have been.

Paul Samuelson, the first American to receive the Nobel Prize in economics and whose textbook "Economics" has been the most widely used in our universities for over 4 decades has written tremendous absurdities. In the 1973 edition of "Economics" he mentioned that due to the Soviet Union's supposedly superior socialist economic system its per capita income would be equal to that of the United States by 1990. Even as late as 1989, in the book's 13th edition, as the Soviet Union's tyrannical communist economic empire was crumbling he wrote "The Soviet economy is proof that, contrary to what many skeptics had earlier believed, a socialist command economy can function and even thrive."¹¹ In the coming pages we will briefly go over the history of Communism and the absurdity of Mr. Samuelson's remarks will become more obvious.

William E. Simon, former Secretary of the Treasury for presidents Richard Nixon and Gerald Ford, fills us in on the incompetence of the nation's "most prominent economists" during the financial crisis of the 70s. His statements apply just as well to today's government "experts":

"The Wall Street Journal interviewed several dozen of the most prominent economists in the United States on the causes of the recession and on ways to prevent a recurrence. They disagreed about virtually everything save this: that there was much economists did not yet understand. The details of the economists' ignorance are of interest, but I stress here the overriding conclusion to be drawn from their statements: The economists who had been advising our Presidents simply had not known what they were doing... Gerson Green, formerly of the Office of Economic Opportunity, summed up the attitude of many of his colleagues when he observed caustically, "The change I discern is that none of us knows what to do. In those days, we thought we did. The country has taught the social engineers a lesson."... So who was running the store? The answer is: nobody. Not one human being in the whole vast realm of political control over the American economy has *ever* known

what he was doing...For forty years the American ship of state has been lunging erratically toward economic disaster, with no awareness of its direction..." (Simon, pp. 121-123)

Ben Bernanke, the Chairman of the Federal Reserve and our government's top economist, admits that the Federal Reserve itself was largely to blame for the infamous Great Depression where up to 25% of the labor force was unemployed when he said:

"Let me end my talk by abusing slightly my status as an official representative of the Federal Reserve. I would like to say to Milton and Anna: Regarding the Great Depression. You're right, we did it. We're very sorry. But thanks to you, we won't do it again." (Bernanke, 2002)

Since Bernanke and other prominent government economic "experts" do not really understand economics, he did not see the bursting of the housing bubble and recession/depression we currently find ourselves in even by a time when many other economists were correctly predicting the problems ahead¹². In an interview on CNBC on 7/1/05 Bernanke was asked:

INTERVIEWER: "Tell me, what is the worst-case scenario? We have so many economists coming on our air saying 'Oh, this is a bubble, and it's going to burst, and this is going to be a real issue for the economy.' Some say it could even cause a recession at some point. What is the worst-case scenario if in fact we were to see prices come down substantially across the country?"

BERNANKE: "Well, I guess I don't buy your premise. It's a pretty unlikely possibility. We've never had a decline in house prices on a nationwide basis. So, what I think what is more likely is that house prices will slow, maybe stabilize, might slow consumption spending a bit. I don't think it's gonna drive the economy too far from its full employment path, though."¹³

On May 5th 2007, as the housing sector began to show obvious signs that it was about to unravel, Bernanke said:

"...we believe the effect of the troubles in the subprime sector on the broader housing market will likely be limited, and we do not expect significant spillovers from the subprime market to the rest of the economy or to the financial system. The vast majority of mortgages, including even subprime mortgages, continue to perform well."¹⁴

On January 10th 2008 Bernanke mentioned that:

"The Federal Reserve is not currently forecasting a recession."¹⁵

On June 10th 2008 before a bankers' conference in Chatham, Massachusetts Bernanke mentioned that:

"The risk that the economy has entered a substantial downturn appears to have diminished over the past month or so."¹⁶

By July, 2011, after the so-called "stimulus", bailouts, "cash for clunkers", and other government attempts at "fixing" the economy, the official¹

¹ Since 1994 the "official" unemployment rate does not take into account things like people who have given up looking for work and other criteria. If we measure the unemployment rate like it was during the great depression of the 1930s the unemployment rate would be closer to 20% see

unemployment rate was back up to 9.2% with no concrete signs pointing to a real economic recovery. On July 13th 2011, while discussing the policies which are supposed to fix our economy Bernanke said that:

“Of course, our experience with these policies remains relatively limited, and employing them would entail potential risks and costs.”¹⁷

Bottom line, Bernanke has been wrong on everything. Our nation’s government “experts” do not really understand what they are doing and have little faith in the effectiveness of their own proposed solutions.

The history of mankind is full of episodes where the commonly accepted knowledge was wrong compared to what most of us know or accept as superior/right/just today. Just a few hundred years ago, two ideas, 1) that a woman should have the same rights as a man, and 2) that it should be seen as wrong to enslave someone from a different group/race/tribe, would have seemed ridiculous to most people living at the time and likely seen as recipes for social chaos. The last 100 years have brought mankind tremendous technological achievements, but our so called “experts” and leaders still could not manage to prevent two huge world wars whose repercussions still greatly affect us to this very day. When it comes to economics, during the 20th century millions were lured by socialist/communist ideology and inadvertently brought misery upon themselves. Many of these socialist/communist/Marxist economists/ideologues were white men with blue eyes, and not only that, they even had impressive sounding German and Russian last names. How could they have possibly failed?! Yet they did so miserably. Socialism/Communism did not spread and destroy much of the 20th century because of a few bad apples or tyrants; it first spread through the minds of the masses and intellectuals that then gave the future tyrants the moral and intellectual justification for their actions. As F.A. Hayek tells us:

“It is necessary to realize that the sources of many of the most harmful agents in this world are often not evil men but high-minded idealists, and that in particular the foundations of totalitarian barbarism have been laid by honourable and well-meaning scholars who never recognized the offspring they produced.” (Hayek F. A., 1973, p. 70)

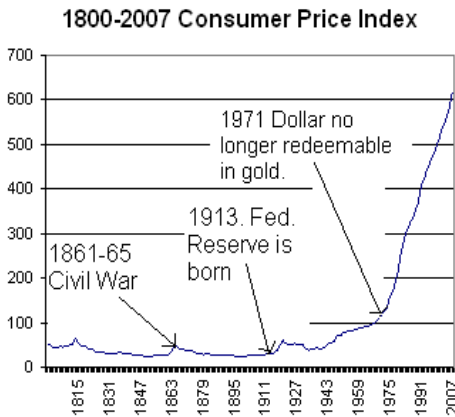
Ben Bernanke and the U.S. government establishment, although obviously not as wrong as those who preached communism were, are still as wrong about economics and as likely victims to following popular fads in their field as psychologists were when they said that homosexuality was a mental disorder, that masturbation would lead to insanity, and that black slaves wanting to flee captivity “suffered” from a mental disorder called Drapetomania.¹⁸ The point of these last few paragraphs is to open up the reader’s mind to the possibility that our commonly held beliefs as well as those of our elected leaders and so called experts can be tremendously wrong as well.

Have we reached a point where mankind will no longer undergo any

more gigantic intellectual changes like the aforementioned two? I believe that the proper understanding of natural selection is the next big idea which will cause us to look at many aspects of our current society with a kind of disgust similar to that which we now experience when we look at our less-free past.

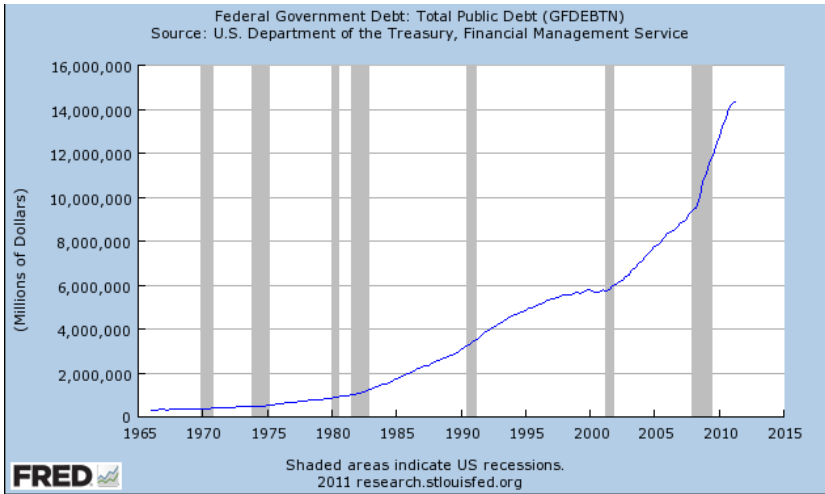
America's dire socioeconomic path

From 2000 to 2010 health insurance premiums have about doubled. For a while prices at the pump more than doubled in the last five years¹⁹ and \$4 per gallon gas prices are back and likely to stay this time around. According to collegeboard.com, just in the current school year of 2010-2011, the average cost of a college education at a public university has gone up 7.8%²⁰. Since 1978, college tuition has increased by 900%²¹. During thanksgiving week of 2006 there were 26 million Americans on food stamps, by the thanksgiving week of 2010 there were more than 46 million²².



As the graph above shows, for most of our country's history, average prices were stable with a slight downward trend, but over the last century, especially since the birth of the Federal Reserve and even more so since the early 70s when the U.S. completely abandoned the gold standard, prices across most of the economy have been increasing sharply.

Until about the early 70s, every new generation of Americans inherited a bigger slice of material prosperity than the previous one and had to work less and less to be able to afford more and better products. Since then that trend has stagnated. The idea of a middle class family having a single working parent being able to pay a mortgage on a home, have a family car, 20th century medicine, some money left over for vacation, and some reasonable savings is now a laughable joke. Sure technology has improved and we have things like computers and the Internet, but instead of all of these things being sort of added to a growing slice of prosperity, the slice's ingredients have changed to include these wonderful new things, but overall it has been getting smaller due to the increasing costs of other things like a college education, healthcare and pretty much everything else.



The U.S. Government already owes over 15 trillion dollars which is over \$47,000 per man, woman, and child. The entire yearly productive output of one of Europe's largest countries, Spain (pop. 47 million), is about 1.4 trillion dollars. Just in the year 2009, the US government went further in debt by over 1.4 trillion dollars. It is as if all the wealth produced by a country like Spain had to be borrowed and shipped to the US government so that the millions of people who are dependent on it, like the world's largest military with over 700 bases in over 130 countries, could continue to live a rapidly disappearing "American Dream".

We are not just taxed to pay for our federal bureaucracies, we are taxed over 400 billion dollars per year just to pay for the interest on this massive credit card²³. This 15 trillion is the national debt which represents how much the government has already borrowed and is supposed to be paid back by current and future generations of taxpayers, but the government has also promised to pay for over 100 trillion dollars worth of future benefits, mostly in the form of medical care for retirees and social security payments. State governments owe another 2 trillion, and that too is increasing because they are not getting enough in taxes to pay for the benefits and pensions of state employees. Cities too are in debt, for example, Cook County which contains Chicago owes 108 billion dollars²⁴.

Our public schools have disintegrated to a place where hormone crazed teenagers who get a steady diet of online porn and a sex-laced culture get to play with each other and learn less and less by the day. Only 70% of students graduate on time, there are over 1.2 million dropouts per year, 17 of the nation's 50 largest cities had high school graduation rates lower than 50 percent, and cities like Detroit had graduation rates of less than 25%²⁵. In international tests American youth scored in 25th place in math and 27th in science out of 30 countries. About a fourth of U.S. high school graduates can't even reach the minimum score in a test needed to join any branch of the armed forces, a test that has questions as simple as "If 2 plus x equals 4, what is the value of x?"²⁶In a recent study²⁷ of nearly 30,000 high school students across the US, 30% admitted to having stolen something from a store and 64% admitted to cheating on tests. Youth in other parts of the world might not be as "cool" as ours but they will grow up to produce wealth while we

head to the usual political and civil unrest that a shrinking economic pie seems to always lead to. Moreover, from the ones that do graduate and end up going to college, only about half will finish their degrees within the next 6 years²⁸. Since your first two years in college are mostly useless as far as teaching you something that will truly make you more productive, the half that didn't finish will have wasted valuable time and money and most likely have incurred significant debt. The ones that do finish will enter an ever-growing number of debt-ridden college graduates that are having a hard time finding a job that can justify the average college debt of over \$20,000, plus over \$4,100 in credit card debt as well²⁹. There are also over 6 million children in America needlessly taking psychiatric drugs, most of which have never even been tested on children³⁰.

These problems and many others reflect themselves in the American character. The United States is a worried, stressed out, and in many ways cowardly and depressed country, with plenty of reason for concern. Even people who have not given the subject of economics much thought correctly guess that wealth has to be created by people, and that these people have to be educated and able to compete with others: like the millions of Chinese that are working for a lot less than we are and are studying real subjects like science and engineering instead of partying their college years away while getting worthless degrees and debt. According to one study the U.S. has lost over 10 million jobs since 2007. The mostly useless education gained by U.S. college graduates in 2006 had 63% of them having to go back to living with their parents after graduation. In the year 2011 that number went up to 85%³¹.

It should be obvious to realize that America is deteriorating quickly, and this is happening because of the *way* things are done. If a car is heading straight for a cliff, does tinkering with the steering wheel by a few degrees here and there fix the situation? No. A drastic change needs to occur. An intellectual revolution based on the ideas of F.A. Hayek and like-minded thinkers. In the final chapter we will briefly discuss how America is in the midst of such an intellectual revolution and the role that Texas Congressman Dr. Ron Paul's presidential campaigns of 2008 and 2012 have played in it.

The social order and the market process

Imagine you are looking at the earth from a spaceship. From high above humanity looks like a human ant-farm; billions of people are moving here and there, cars and planes going in and out of cities. Did anyone plan the human ant-farm or social order? No. Even though the social order is the result of human action it is not the result of conscious human planning or design. The social order and its amazing complexity shares this trait with language. Language too is the result of human action yet it was not consciously invented. No human being ever thought, "Hum... I think developing language would really help us communicate" and neither did a single person or group of people design and plan the amazing complexity of the human ant-farm or social order. The social order and its amazing complexity is the result of a process, a process which is known to some economists as ***the market process***. The market process is a natural process that creates efficient, complex, and seemingly purposeful arrangements of human beings. It is what gives the social order, especially the social orders of modern economies like the American and Japanese ones, their incredibly complex yet wonderfully

ordered productive structures. Just like human beings were inadvertently developing language and at the same time language became an indispensable tool for their continued survival and evolutionary success, we are inadvertently creating the market process and it too is an indispensable tool for our continued survival and evolution.

If we could go back in time 1,000 years and look at the global human ant-farm from high above, what would it look like? Today's social order is vastly more complex and productive compared to the one of 1,000 years ago. Today's social order is ordered in such a way that it can feed almost 7 billion people and have many live twice as long and in more material comfort than they did one thousand years ago. It also contains a vastly superior amount of knowledge spread throughout its billions of human brains, the knowledge required to transform matter in the ground into things like planes, cars, skyscrapers, computers, medical equipment, medicines, etc. If we compare today's American social order to that of the African one we find that the American one produces about 14 trillion dollars worth of goods and services, while the African one produces only half a trillion even though the African social order has over twice as many people. What does this tell us? It tells us that the American social order has a more efficient and productive order.

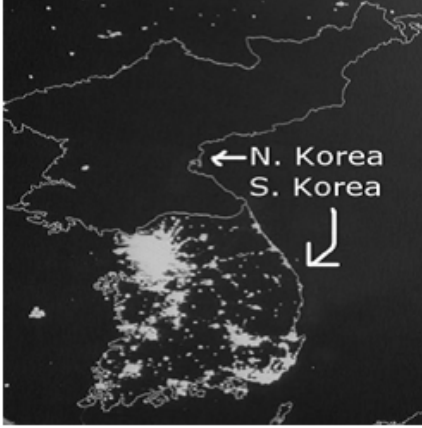
Why is it that the American social order is arranged much more efficiently than the African one? One thousand years ago both social orders were more or less the same in terms of material prosperity compared to what we have today, but why is it that over the last 1,000 years the American social order managed to grow to the complex network that produces so much while the African one didn't? Because the market process has been working in America and therefore the people living and moving to America have been integrated into an ever more productive and technologically advanced social order. The market process has been more or less constantly rearranging the American human ant-farm, and slowly over time it became the most productive one in the world, and one vastly more productive than the African one. Unfortunately, Americans, and even more so Africans, have no understanding of what the market process is or how it works and we intuitively act in ways that slow it down and cripple it, and therefore slowing down and crippling the very progress of mankind.

Imagine it is the year 2050 and the whole world is doing great, there is no poverty and everyone can afford great products and healthcare and even the environment will be perfectly taken care of, but not just our environment over here, even the moon is being transformed via a rapidly growing space tourism industry. The social order of the year 2050 will obviously have to look different than today's. There will be new cities, new buildings, new knowledge that guides the actions of people in ways that will lead to this more efficient arrangement of society. If this prosperous future is in the cards, there is a sequence of steps that must be taken by every single human being in order to transform today's social order into this awesome one of the year 2050. How will we know which steps to take? Is it something we can plan? If 50 years ago the government hired the brightest minds and tried to plan for the year 2011, their plan would have been based on the ideas and technology that existed in the 1950s. There would have been no cell phones, no personal computers, no Internet and the tremendous advances that flow from these technologies. The smartest minds would have failed miserably in coming even close to designing

a social order like the one we have today. The progress of mankind cannot be planned, but fortunately, the market process, if properly understood by most people, can be allowed to ensure that the steps we take are as efficient as humanly possible. Just like following a few simple traffic rules help coordinate the driving of millions of vehicles and in a more indirect manner have been crucial rules for the entire functioning of modern society where automotive transportation plays such a vital role, the market process also grows out of the adherence to a few simple rules. The rules basically come down to these two laws which we already discussed while describing Capitalism but it can't hurt to read them again:

1. Do all you have agreed to do
2. Do not encroach on other persons or their property

How adherence to these two rules/laws is what 'turns on' the market process and how it in turn creates our social order is one of this book's most important purposes.

	North Korea	
	Land Area	46,528 sq mi
	Population	23.1 million
	Per capita GDP	\$1,800
	Total GDP	\$40 billion
	South Korea	
	Land Area	38,492 sq mi
	Population	48.9 million
	Per capita GDP	\$20,600
	Total GDP	\$994 billion

The picture and statistics above do a great job of showing the difference in the types of productive social orders that are created by a more capitalist society where the market process creates social order like South Korea, and a more Communist society like North Korea where government planning plays the leading role. The picture was taken at night by the US department of Defense and shows how the South Korean social order is brimming with cities which can power themselves at night, while the North Korean social order barely has a little spec in its capital city. South Korea is a smaller country in terms of land area yet it houses a population that is over twice as large as that of North Korea. Each South Korean on average can produce about \$20,600 worth of wealth, which is about twelve times more than the \$1,800 that his northern brother can. Since South Korea has over twice as many people who are each about twelve times more productive, the total domestic production is about twenty four times greater for South Korea than it is for North Korea. Forty billion dollars worth of goods and services for the North Korean social order vs. 994 billion for the South Korean social order. Once again one should

try to picture the two social orders from high above. The South Korean social order is a very efficient matter-to-wealth transformation organism. Thousands of tons of raw materials come in, or are dug up, and are transformed into human usable wealth (cars, tools, computers, gadgets, medicines, etc.), some of which is then traded with other social orders like the USA/Japan/China/'rest of world' for other types of wealth. North Korea has a less efficient and less orderly structured social order, it is an inefficient and inferior matter-to-wealth transformation organism compared to the South Korean one. The North Korean human ant-farm has a visible entity trying to achieve an efficient productive order, the government with its many bureaucracies and regulations acting like tentacles moving the human ants around, yet the productive social order cannot keep its people alive, much less in any sort of material well-being. The South Korean human ant-farm does not have a visible entity telling the millions of human ants that make it up what to do and how to do it, its productive order is created by the market process, by the emergent behavior of human beings going about improving their condition, by people coming together via companies here and breaking up there, always more or less following our two fundamental laws.

One of the most important lessons that can be learned from this short comparison is that race, or genetics, has little to do with socioeconomic prosperity and advancement since both Koreas were a single nation with a common people until the end of World War II. From 1910 to 1945 the Korean peninsula was occupied by the Japanese. When the Japanese lost WWII, communist Russia and semi-capitalist USA did not come to an agreement as to how to "liberate" the Koreans, so it was split into the Russian influenced and therefore communist North, and the American influenced and therefore more pro-capitalist South.

A tribal brain in a modern world

In order to understand the world's socioeconomic troubles and get humanity on the path to peace and prosperity we have to focus on a drastic change in the recent social evolution of man, the transition from simple self-sufficient tribal societies to our modern complex economies.

The environment where we evolved, in other words, the environment where our genes, instincts, and "tribal morals" have been shaped by evolution was a world very different from the one we currently live in. It was a world more like that of our close cousins the chimpanzees and bonobos which slowly changed into that of the stereotypical caveman and tribal existence. In the simple tribal societies everyone was of the same race or visibly biologically similar, even the neighboring tribes. This was the case because people had not developed ways of traveling distances that were long enough to run into people that were significantly different from each other. And if we go even farther back in time, biological differences would have been too small to even classify different groups of people as belonging to different races like we might do today. There was little division of labor which was mostly based on sex and age, women might have gathered fruits and vegetables and men took care of the hunt and fighting with the neighbors. There was a fixed amount of resources in the environment where people lived. We were not technologically advanced enough to adapt to new environments so we were limited to a regular living area which could only support a limited amount of

people based on the small amount of food that could be gathered from the land without waiting for it to re-grow naturally. If some people had lots of food others would have less. An environment where there is a fixed amount of resources and some have plenty at the expense of those that have little, or also where for every winner there is a loser like in a tennis match or a fight to the death, this type of environment economists and evolutionary psychologists refer to as a zero-sum environment. A zero-sum environment is like a pizza, the more slices one person gets, the less slices there will be for the rest. This environment creates conditions where in order to have resources for your survival you had no choice but to be very “evil” and have an us vs. them mentality. When a lion takes over a pride and kills the existing cubs in order for the females to be available for mating with him and to devote resources to his future progeny/genes, most of us accept this as part of nature, we don’t say the lion is “evil”, yet the lion as well as ourselves owe our existence to such “evil” acts and brutality committed by our ancestors. There was no political correctness or much in the way of morals to a tribal mind. All that mattered and existed were strategies that led to success, which often times led to violence and the death of competitors. This “zero-sumness” of the world we evolved in is at the heart of explaining why human beings can be so cruel and violent. If the world had an infinite supply of everything you could possibly want, would there have been any need for natural selection to shape us with the capacity for anger, or jealousy? Not really. But in the real world, especially in our tribal world, there was always a limited supply of resources, and things like anger and jealousy were needed to ensure we got enough to survive.

Tribes were small(25-150 people) and most people knew each other personally. There was little technological progress and it was too slow to be noticed, for example, for the last 2.5 million years until maybe the last 20,000 years our most useful tools were mostly stone axes and knives, clubs to bash people’s heads with and maybe fire. We were self-sufficient and consumed or “used up” most of the things we created ourselves. Life was simple and easily understood. An adult more or less had a good idea of what everyone else did and how the community worked. All tasks were relatively simple and involved at most the interactions of few easily identifiable people. Our minds and instincts have been shaped to live in this kind of world but the world has changed drastically over the last 20,000 years, and especially so during the last 500.

Today’s advanced societies are very different, it is normal to see people of different races and even if a single race is the majority in a particular city it is very common to travel and interact with people of other races. There is lots of division of labor, members of a modern society are highly specialized compared to the members of tribal societies, some are mechanics of different kinds, doctors of different specialties, computer programmers and so on. Most professions take years to master unlike the simple tasks carried out by members of tribal societies. And by far the most important difference is that our modern world is not a zero-sum environment because rapid technological progress and the ability to produce more and better things increases the amount of goods/wealth available so that even though some might have much more than others, everyone can have more and will be better off compared to his previous state. In other words, the pizza or global economic pie constantly gets bigger and bigger, very, very fast and without limit.

We are not self-sufficient. Instead of consuming the things we create ourselves, we trade the goods we make or the labor we sell for money, and then use this money to buy the things we need. Money plays a crucial role in our modern world and how it works and helps coordinate our modern social order is something we do not intuitively or even consciously really understand (by “we” I mean our gov. experts/leaders). We live in cities of millions of people most of whom we will never personally deal with. The world is very complex and it is impossible for a single person to fully understand how everyone else does his job or how a single thing is created.

Even what seems like a simple task in today’s modern economies is incredibly complex, and is the result of the interactions of millions of people going back in time for generations. Just think about buying a computer. Unlike a task in the tribal world which was carried out by easily identifiable people and at most required the knowledge and skills of those few human beings, your computer was put together and came to your store due to the interactions and knowledge of millions. Many companies or groups of human beings worked, and in some way or another, your computer made it to your nearby store thanks to the interactions of these individuals. Not a single one of them knows who you are and not a single one of them woke up that morning thinking about your need for the computer you are going to buy. Some computer parts were made in Taiwan, others in Japan, some assembly might have taken place in Singapore, the transportation of parts took place on large ships built in England built decades ago, ships composed of thousands of different components, many of which were imported from many different countries, built by a multitude of people, and you get the point; all of these interactions are impossible to trace and go far back in time, yet it was this network of interactions that mattered, a network of interactions that no single human being could possibly trace or fully comprehend. The system or mechanism that coordinates this mind-boggling network of interactions to create the vast complexity of the modern world is, once again, *the market process*, a system, that just like language, is the result of human action but not of human design.

In the tribal world everything involved the interactions of a few people with their natural environment, and there was no complicated web of production like we just described. In today’s modern economies it is not the abilities and character of a few people that matter when it comes to getting things done, it is the arrangement and coordinated actions of millions of people. This is something that we do not intuitively understand because we evolved in a much simpler world. We care about the smiles and trustworthiness of our elected leaders just like we would have cared about the trustworthiness of fellow tribe members in the past, but in today’s world, it is the structure and well-coordinated actions of millions of people over generations that get things done, and more importantly, it is *the market process* that shapes all of these things and not particular individuals.

Another one of the most important differences between our tribal world and today’s is that in the tribal world everything that was created by man was designed or planned with a specific purpose in mind while in today’s modern world, although most things are still designed or planned with a specific purpose in mind, the human ant-farm/‘social organism’ and its mind-boggling complexity is not the result of conscious human planning or design,

it is the result of the market process, something that didn't exist in our tribal/ape-like past. Things like the Internet depend on computers, which in turn depend on microprocessors which in turn depend on transistors and on and on, yet none of the things in the lower levels were designed with the purpose of someday contributing to the Internet and all that in turn depends on it. Since everything in our tribal past that was made by human beings was also designed by human beings and everything was relatively simple, in today's modern world we have a propensity to think that human beings can design/plan/regulate the economy and this is one of the reasons we feel like we need a huge government apparatus to help order society. But this is a mistake, which is rooted in our tribal propensity to plan and easily understand the much simpler tribal social order. And ultimately a simple lack of an understanding of what the market process is and how it works.

In the modern market-process-coordinated world our fates are determined by the workings of our human ant-farms much more so than our personal abilities. It is not the doctor that cures us, it is the tremendous amount of easily affordable technology/medicines/training which allows an average human being to help us cure our diseases. But we cannot possibly care about or protect a system whose very existence we are not even aware of as is the case with the market process. In today's world, our global social order can be seen as, and in fact *is*, like a new living thing, one that survives by transforming the world around it in a way that feeds and meets the needs of its individual human ants/parts/cells. A process fundamentally no different than the way our body interacts and transforms the external world for the benefit of the cells that make it up and therefore keep us alive and in order.

In the modern world we are not limited by what nature naturally replenishes, we create new wealth by transforming matter. Physics teaches us that matter cannot be created or destroyed, all wealth is really just a transformation of matter from a state that is useless to people to one that is useful to us. We evolved in a world where we had little ability to transform nature, so whatever nature provided was truly finite as far as we were concerned and that is how we more or less see the world today. The fact that when we integrate ourselves with the social organism via the market process, we become a sort of super-robot that works at transforming the thousands of cubic miles of matter that the entire planet is made of into new wealth constantly increasing the economic pie for everyone, is completely foreign to us. As economist George Reisman tells us:

“...from the perspective of physics and chemistry, all of production and economic activity consists merely of changing the combinations and locations of the chemical elements. The production of automobiles or refrigerators for example, entails the movement of some part of the world's supply of the element iron from locations such as the Mesabi range in Minnesota to places all across the country and the world. In the process the iron is broken out of combination with certain other chemical elements such as oxygen or sulfur and put into combination with different chemical elements such as chrome or nickel. The overall quantity of each of the elements in the world remains exactly the same as before. The only difference is in the relationship of the chemical elements to human life and well-being, which is obviously vastly improved by man's productive activity. Iron buried in the hillsides of Minnesota is useless, but changed by human productive activity to take the form of automobiles, refrigerators, bridges and skyscrapers and countless other products it is of immense utility.”³²

What really is a refrigerator? It is an arrangement of elements/chemicals/natural resources found in the planet that have been relocated from one set of coordinates to a different one. The refrigerator was once broken up into millions of pieces of matter deposited in mountains or beneath the earth, and it was the workings of the human ant-farm that relocated and transformed those elements/matter into a refrigerator that is useful to us. So once again we can see that wealth is about transforming matter and reorganizing it in a way that helps us in our continuous quest for superior states of well-being. Wealth is a transformation of things from states where they have little to no use from our human perspective to states where they are more valuable to us.³³

Let's think about food which has been the most important source of wealth for most of our evolution. Food is a package of chemicals that we can consume in order to maintain our orderly structure. The chemicals that make up our food are found on the earth and by nature's workings they are gathered by plants and therefore transformed from various coordinates in the earth to new sets of coordinates where they happen to be of use to us in the way of edible plants, and also through further transformations into the animals that feed on these plants. Before plants transformed these chemicals, they were useless to our continued orderly existence, the chemicals were not organized into human usable wealth, but after their transformation by nature they became wealth, the food we ate. Before humanity stumbled upon the market process and it transformed us into being members of the 'social organism' like we are now, nature, and nature alone transformed the chemical elements into wealth and this is what limited our ability to grow and prosper beyond our inevitably brutal zero-sum existence. As members of the global market-process-coordinated social order we now transform matter for our benefit in ways that we have not evolved to intuitively understand. A few miners today, using building-sized trucks and other machinery, can mine and begin the transformation of matter to wealth in ways that are thousands of times more productive than they were just a couple of hundred years ago, and our ability to transform the various elements we need to nourish our bodies has also increased tremendously compared with the rate at which nature performed this transformation before we stumbled upon agriculture and the many other improvements generated by the social organism. The fact that the computational ability of the social order, in other words, its ability to unconsciously calculate the paths that matter must take as it is transformed into human usable wealth, continuously increases as more human brains are added to it, is something we have not evolved to understand and we find counterintuitive.

Contrary to what most of us believe, increasing human population is not a problem, it is a blessing. This happens because the rate at which the social order transforms matter into wealth increases much faster than the rate at which our increasing population can consume such wealth. The social order is in fact aided by a large population which simply helps make it a more efficient matter-to-wealth social organism, but more on this later. For most of us, without an understanding of the market-process there are only so many bananas in the trees, and the more people the less bananas per person, which happens to be the opposite of the truth in our new world where the more

people the more bananas appear, but fortunately understanding this radical change, from depending on nature to transform matter into wealth to allowing the ‘social organism’/‘human ant-farm’ to perform this transformation, is something that can be easily understood by learning how the market-process/economics works.

Whenever one of the many tasks the government tries to do is screwed up enough to get the necessary public attention, like the handling of hurricane Katrina³⁴, we always look for people to blame because it comes naturally to us to think that the only way to create purposeful and coordinated arrangements of people is through top-down delegation where some people plan what needs to be done and they delegate all the way down the man-made hierarchy. We have this type of mentality because in our tribal world it worked. Even the most complicated of tasks in our tribal past could not employ more than the entire population of the tribe, say at most about 150 people. You just delegated parts of the tasks to a relatively small number of personally known, and therefore easily identifiable people, whose skills and abilities were more or less the same and whose trustworthiness was probably the most important asset. Tasks were relatively simple and could be designed by few human brains and carried out without much change in order to accomplish the original goal. But today’s world is much more complex and tasks are carried out in a different manner. We still use delegation, which we are very familiar with, but unknowingly we also use something new, something we do not intuitively understand because it is a new invention in the world that our tribal brains have not evolved to understand. We inadvertently use *the market process* and its many components like, money, prices, the banking and lending industry, stock markets, interest rates, and other institutions that play a crucial role in developing the social organism. These economic institutions are as important to the modern social order as organs like the heart, brain and lungs are to a human being. If we were to abolish the use of money the social order would collapse just like a person whose heart stopped working.

The market process and the aforementioned socioeconomic institutions it depends on are new to us, like language they too exist thanks to the actions of human beings but they provide a function that is independent of our conscious design. It is the market process which ultimately allows us to create the kinds of complex arrangements of human beings that give the modern world its amazingly complex and productive order, not the top-down delegation which we intuitively associate with such arrangements. We do not realize that no matter who is in charge of large groups of people and resources, it is the way these thousands or millions of resources interact and not the trustworthiness, or good intentions, or our personal relationship with the people at the top that matter. We do not know what the market process is or how it works and therefore we don’t realize that only the market process can arrange these resources in a productive and orderly fashion. Unfortunately the market process does not have a face, it does not smile, and it can’t hold babies and take pictures and talk to us and tell us how it will “plan” the efficient structuring of society and solve our problems like a politician can.

It makes sense for most of us to look at the vast complexity of the world and think that someone or some entity must help guide or keep it orderly and “fair”, and we think that it is government that greatly helps us achieve this. This is why we constantly vote for and pay taxes to fund things

like government run welfare systems for the poor, government run education, government oversight of health care, government sponsored unemployment benefits, anti-big-business laws, and also fear a world where everything is privatized and people have to pay for everything, and if they don't have the money and there isn't enough private charity, tough luck. A world where the government does not take care of the poor or elderly, does not educate people, does not interfere with businesses regardless of how big and rich or successful they become, and lets employers hire and fire people for whatever reason or lack thereof, might be a scary thought for most of us, and for most of my life I too would have been scared at such an idea. Most of us feel like without much government management there would be social and economic chaos. It seems obvious to many that without government intervention the "white man" will oppress the minorities, that health care costs would soar because the greedy companies can charge lots of money for vital health care services, that businesses will pay employees less than a "living wage" because of our inherent greed and exploit them, that all of our jobs will be shipped overseas and we will be poorer because of it, that any idiot can pose as a doctor and harm people and so on. We also know that we are not 'perfect' and that it is in our nature to do bad things and we believe that by using the government we can help ourselves be better than we would otherwise be, but all of this is wrong. It is an almost inevitable mistake given our lack of an understanding of how the market process works and how it creates the modern world.

Most people would acknowledge the fact that the government/'public sector' is not perfect, that yes, it can be bureaucratic at times and that sometimes there are corrupt politicians etc. So we constantly look for ways to improve it, to "cut the waste", or "make it more accountable", to "run it in a business-like fashion" and all kinds of other well intentioned ideas. But what very few people understand and will seem shocking to most is that **even if everyone who works for the government were completely unselfish, with a heart as pure as that of a Mother Teresa or the Pope or an angel from heaven, and if on top of that they were also as smart as your favorite historical genius like Einstein perhaps, this government created arrangement of people, with its lack of corruption and overabundance of good intentions and intellect, would still destroy more social order and prosperity than it would create.** Most people think that the problem with government is related to corruption or the people who are in charge of it and so on, but that is not the case. Let's state it again, even if all the wonderful things governments try to provide for society were to be carried out by incorruptible geniuses, it would still provide a worse result for everyone, rich or poor, than the private sector with its average human beings and all of their so called faults and vices. The reason for this, as will be explained in the third chapter, is because *the market process*, which creates the productive order of human beings and technology we associate with progress and civilization, is greatly harmed by government taxation and regulation, and that whenever the government interferes with the privates sector, no matter how great the final outcome might seem to us, the vast majority of times it creates far more problems than it solves. Hopefully this will all make better sense soon.

The fall of communist Russia should have taught us that having government try to provide solutions to the needs of mankind was an utter failure, but that is not what we learned. We learned that if we could just have

“good” people running the government then everything would be ok, and it is for that reason that we feel like spreading democracy is what will fix the world. We feel like with a democracy, should “bad” people control the government then we just suffer a little, but then we can vote them out and replace them with “good” people and everything will be great. No matter how hard Russian communist revolutionary Vladimir Lenin tried to have government plan and provide for his people, the inevitable growing inefficiency of his government apparatus kept leading to an unproductive chaos. Lenin, as well as most of us, believed that “the key feature is people, the proper choice of people”, and if we could just have the right people with the right values government management would work. But Lenin was wrong. In today’s modern world, the personal abilities of individual human beings are not as important as they were in our simpler tribal past, and nowhere near in comparison to the importance of the workings of the market process. Again, the fall of communist Russia should have taught us is that government or public sector management does not work period, regardless of whether the government is created via democracy, theocracy, military dictatorship or how nice, caring, or smart its members might be. Unfortunately just like it has taken us thousands of years to realize that society will work better without slavery and with equal rights for men and women, we continue to suffer with the evils of too much government even though its results constantly smack us across the face in terms of economic crises and disastrous wars. We think government planning/regulation leads to order, social justice, a clean environment, and equality, while individual economic freedom leads to chaos, social injustice, irresponsible pollution, and inequality via haves and have-nots. But the truth is that we actually have it backwards, government planning/regulation leads to economic chaos, social injustice, pollution, and inequality, while individual economic freedom leads to the most productive and efficient social order, justice, a clean environment, and material equality. The only way we can really see this, is by training our minds to properly understand the new world in which we live, and we do this by learning about economics and how the market process works.

Society and civilization are the products of an evolutionary process just like our bodies are. The ability of this evolutionary process to create order, whether it is biological order or socioeconomic order, is far beyond what we could possibly consciously achieve. To think that electing people to a government whose task it will be to organize, plan, or manage the functioning of society via laws is as big a mistake as is asking a doctor to create 50 trillion cells and piece them together to make a human being. Right now, most Americans and the same applies to pretty much everyone in the modern industrialized countries, believe in the ideology of a democratically elected government that more or less takes 50% of the wealth generated by the private sector via taxes and so on, and uses it to provide so called essential services and regulate the functioning of the economy. This big government, democratic-high-tax-spend-regulate ideology is a mistaken one that is slowing down the very progress of mankind and destroying the lives of many.

Our tribal nature is maladapted to the modern world but fortunately we have reached a point where we can understand this and overcome the problem. Our strong desire for “equality”, our jealousy or contempt for the rich or those that “have too much” and do not “share” their wealth, in other words, the anti-capitalist-cat-the-rich-take-from-the-haves-to-give-to-the-

have-less mentality that seems to spread so easily amongst most of us, is a result of our inherited instincts from our tribal past coupled with our lack of an understanding of the modern socioeconomic forces that create the social order and we are doomed unless we can see this fact and transform our cultural values to be in synch with the rules and laws, that although they might scare us intuitively, we can rationalize and understand how they are truly in our best interest. The next step in the evolution of man has nothing to do with our genes or personal abilities, it will be the wide spread understanding of how the market process works and the great damage that government as we know it does.

¹ Last time I checked on Dec 25, 2010 it was ranked 167 in all of amazon.com and was #1 in many economics and politics related categories.

² Hayek and *some* of these like-minded thinkers are often times referred to as the “Austrian School of Economics”. Texas Congressman Dr. Ron Paul who is running for the 2012 U.S. presidency is an adherent of the Austrian School and his presidential run and its impact on the American political landscape will be discussed later in the book. Although many of the concepts discussed in this book will have much overlap with concepts associated with the ASE and Dr. Ron Paul’s views, the general theme and many concepts that will be discussed are NOT representative of Dr. Paul’s views.

³ For example, for the month of October 2008 according to compete.com, a site that gathers statistics on the popularity of websites, www.blacksonblondes.com a site exclusively dedicated to sex between black men and white women, was the 2,044th most popular site **in the world** with almost 800,000 unique visitors per month. By comparison, famous porn entrepreneur Larry Flint’s Hustler magazine’s hustler.com was 2,629th with 640,000 unique visitors per month, and the more mainstream Playboy.com was ranked 939th with 1.6 million visitors. An example of one of the many sites that often ridicules white men as it glorifies blacks is www.springthomas.com, ranked 6,582th with 270,000 unique visitors per month.

⁴ See article “The Death Camp of Communist China” by Lew Rockwell at <http://mises.org/daily/2652>

⁵ For readers familiar with ‘Anarcho-Capitalism’ or ‘free market anarchism’, where there is no government or public sector and everything, including courts and national defense, are privatized, these concepts will be discussed later in the book.

⁶ These laws I like to refer to as Maybury’s laws, named after Richard J. Maybury. Author of the wonderful Uncle Eric series of books.

⁷ Some of the statistics mentioned here come from Michael Hodges’ former site at <http://goo.gl/Meick>

⁸ <http://goo.gl/EluU3>

⁹ Yet even with a single-party system, China does have elections. Instead of people voting directly for a president like we do in the US, they have elections at a local level where they choose leaders who then vote for other leaders higher up in the government hierarchy.

See http://en.wikipedia.org/wiki/Elections_in_the_People%27s_Republic_of_China

¹⁰ I say “might” and lean towards China being freer because this is hard to tell and you can find knowledgeable people with different views. For example, economist Peter Schiff is on the “China is economically freer” camp(see <http://www.youtube.com/watch?v=UL9TPFKA-zY&feature=feedf>) but organizations like the Fraser institute place China being less free. See <http://www.fraserinstitute.org/programs-initiatives/economic-freedom.aspx>. We will revisit the Chinese economy later.

¹¹ Paul A. Samuelson and William D. Nordhaus, *Economics*, 13th ed. (New York: McGraw-Hill, 1989), p. 837.

¹² Perhaps the most famous economist to predict the bursting of the housing bubble and much of what has happened and will continue to happen is Peter Schiff. The video below titled “Peter Schiff Was Right” has been viewed nearly 2 million times and shows Peter making his predictions while many of the mainstream “experts” laughed at him:

<http://www.youtube.com/watch?v=2I0QN-FYkpw>

¹³ <http://www.youtube.com/watch?v=9QpD64GUoXw> Interview on CNBC with Maria Bartiromo on 7/1/2005

¹⁴ <http://www.federalreserve.gov/newsevents/speech/bernanke20070517a.htm>

¹⁵ “Fed chief to slash rates 'as needed' to avoid recession” January 11, 2008 By Jeannine Aversa, Associated Press

http://articles.sfgate.com/2008-01-11/business/17147801_1_ben-bernanke-downside-risks-interest-rates

¹⁶ “Risk of US downturn 'diminishes’” BBC <http://news.bbc.co.uk/2/hi/7445343.stm>

¹⁷ Chairman Ben S. Bernanke, Semiannual Monetary Policy Report to the Congress.

Before the Committee on Financial Services, U.S. House of Representatives, Washington, D.C.

July 13, 2011

<http://federalreserve.gov/newsevents/testimony/bernanke20110713a.htm>

I originally saw this statement from Ben in Robert Wenzel’s excellent blog at

<http://www.economicpolicyjournal.com/2011/07/bernanke-admits-he-is-clueless-about-13.html>

¹⁸ <http://en.wikipedia.org/wiki/Drapetomania>

¹⁹ http://www.gasbuddy.com/gb_retail_price_chart.aspx

²⁰

[http://trends.collegeboard.org/college_pricing/report_findings/indicator/Tuition and Fee and Room and Board Charges 2010 11](http://trends.collegeboard.org/college_pricing/report_findings/indicator/Tuition_and_Fee_and_Room_and_Board_Charges_2010_11)

²¹ <http://www.benzinga.com/11/04/1032314/are-student-loans-an-impending-bubble-is-higher-education-a-scam>

²² <http://theeconomiccollapseblog.com/archives/happy-thanksgiving-are-you-better-off-today-than-you-were-four-years-ago>, refers to <http://blogs.wsj.com/economics/2010/11/04/some-14-of-us-uses-food-stamps/>

²³ <http://www.federalbudget.com/>

²⁴ “Cook taxpayers owe \$108 billion, county Treasurer Pappas says: Greg Hinz” <http://goo.gl/UbvKg>

²⁵ <http://www.msnbc.msn.com/id/23889321/> “Cities cited for low high school graduation rates”

²⁶ “Nearly 1 in 4 fails military exam” By Christine Armario And Dorie Turner, Associated Press – Tue Dec 21, 2010

http://news.yahoo.com/s/ap/20101222/ap_on_re_us/us_military_exam

²⁷ <http://charactercounts.org/programs/reportcard/index.html>

²⁸ <http://www.msnbc.msn.com/id/10053859/> “U.S. college drop-out rate sparks

concern”

²⁹ <http://www.credit.com/press/statistics/student-credit-and-debt-statistics.html>

³⁰ This is a good TV special on pbs. “The Medicated Child”: available online below
<http://www.pbs.org/wgbh/pages/frontline/medicatedchild/>

It does a good job of showing the arbitrary nature of modern psychiatry and how it needlessly destroys many lives. More on this in later chapters.

³¹ “College grads become 'boomerangs,' return home after graduation” by Justin Quesinberry

<http://www2.nbc17.com/news/2011/may/13/college-grads-become-boomerangs-return-home-after-ar-1030761/>

³² Reisman, George. Lecture given at the Ludwig von Mises Institute(www.mises.org) on 2/29/2004 , entitled “Resource Economics and Environmentalism”. Audio file <http://www.mises.org/mp3/MU2001/MU20.mp3> , minute 16:07

³³ As Economist Eugen von Böhm-Bawerk put it :

“To "produce": what does this mean? It has been so often said by economists that the creation of goods is not the bringing into existence of materials that hitherto have not existed—is not "creation" in the true sense of the word, but only a fashioning of imperishable matter into more advantageous shapes...”

Eugen von Böhm-Bawerk, *The Positive Theory of Capital*. London: Macmillan and Co., 1891, trans. William A. Smart, 1891. Section I.I.13 .
<http://www.econlib.org/library/BohmBawerk/bbPTC1.html>

³⁴ Lew Rockwell’s speech on the inevitable government mishandling of hurricane Katrina’s New Orleans devastation is a gem. Read the transcript here : <http://www.mises.org/story/1234> or better yet, listen to Lew’s speech here : <http://www.mises.org/multimedia/mp3/ss05/ss05-Rockwell.mp3>

II. Natural Selection, Evolution and Evolutionary Psychology

In this chapter we will discuss how in about 4 billion years natural selection took a sort of chemical soup and reordered its atoms to eventually create human beings. As we do this we will go over biological evolution and genetics.

From chaos to order

To understand the world is to understand how things go from simple to complex. For example, if we assume that what many scientists refer to as “The Big Bang” theory is close enough to the truth, we can quickly trace the history of life more or less as follows. BANG!... We’ve got atoms and matter expanding throughout the universe. The galaxies, stars and planets formed, and about 4 billion years ago on earth we had the famous primordial “chemical soup”. In this soup, atoms would bounce into each other and remain sort of “lose” or in “chaos” but others would settle into stable patterns. Whenever one of these “lose” atoms settles into an existing structure made of more atoms, there are less “chaotic” atoms just bouncing around and more “orderly structures”. Most of these early “orderly structures” would quickly dissolve into atomic chaos once again, but then again, others would form, and from all of this arranging/rearranging/etc., if there happens to be particular combinations of atoms which would be stable enough to not break apart or break apart less often, these types of “atomic patterns”/“orderly structures”/combinations would eventually become more numerous as they grew and integrated more and more of the “chaotic” loners into their growing and expanding orders, or “orderly structures”.

Imagine throwing many small magnets on the floor, given their properties, the single “chaotic” magnets combine with each other to form a more complex “orderly structure”, i.e., a “lump of magnets” made up of individual magnets. The complexity has increased. Before we just had single magnets, now we have something new, a more complex “orderly structure”, a “magnetic lump” made up of smaller parts.

Let’s use another analogy. Think about the mess of cables behind your computer. Notice how the cables tend to go from single cables laying around, into a more complex “mess of cables” and that the complexity of the mess just increases with the more cables the mess comes in contact with. Did you intend to create a complicated mess of cables? No, yet at times while trying to untangle them it sure seems like someone must have designed such a mess, yet no one did. Given the environment, the complexity increases.

Given these examples, one can see, or at least get a feel for, how higher levels of order and complexity can arise out of chaos. If we concentrate on how order and increasingly more stable patterns come to exist in the stereotypical chemical soup, there is a selective process going on. Those “orderly structures”, or molecular combinations, which just happened to have a more stable order managed to sort of survive through time compared to other structures that fell apart back into chaos. This is the essence of the simple concept of natural selection. Natural selection just means “that which

maintains its order gets to build upon such order and exist". From this simple atomic/chemical soup some combinations will maintain and eventually expand their order while others will not. Those that do, we say have been "naturally selected", for the simple fact that they maintain or expand their order while others revert to a more chaotic state. Natural selection can be seen as a simple process, which "selects" that which happens to maintain or expand its order, and as a sort of byproduct of this process it can be said that natural selection really is what creates order.

Emergent properties

Whenever simpler parts inadvertently combine, or are "naturally selected" to become parts of something greater than themselves as in the magnet example, this new aggregate (i.e. the "lump of magnets") takes on properties that did not exist when the various individual parts were on their own. For example, say you have many individual magnets on the floor but they are placed too far apart from each other to attract each other into a larger "lump of magnets". Then you take a bucket of water and spew it across the floor from left to right so that the water passes through the area where the magnets are. Since the magnets are spread apart, they slow down the passage of water but the water can still go between them. If the magnets are close enough so that they do attract each other to make some larger lump, then the water might not be able to pass by them, leaving behind the magnets a much larger dry area than would have been the case should the magnets have remained solitary. By combining the magnets, they now form a small dam, which they would not have been able to do on their own. This new ability to block the passage of water is a new property, it is an *emergent property*.

Given the same scenario we can also envision throwing small pebbles at the magnets. If they are solitary, hitting the single magnets with a pebble might move them, but if they are lumped together, the force which would have been sufficient to move a small magnet when it was solitary, might no longer be enough to move a magnet when it has other magnets behind it which help slow down and distribute the push caused by the pebble to the point where the magnets move considerably less, or perhaps not at all.

Another more realistic example is "surface tension", which allows small bugs to walk on water. Under common circumstances in our planet, hydrogen and oxygen atoms combine to make water molecules, and these molecules then align themselves with each other in a way that produces surface tension. If hydrogen and oxygen are by themselves, we do not get surface tension. It is only when they combine to make water molecules and when these water molecules get together that this *emergent property* comes into existence.

So we see that not only does natural selection select for complexity/"higher levels of order" but as it does so these new "orderly structures" exhibit new properties that did not exist before, they are *emergent properties*. Moreover, those emergent properties which somehow happen to add to the increased stability/growth of some larger "orderly structure" they inadvertently help create, will also be naturally selected for and continue to help "live"/exist/"maintain order" through time.

From chemical soup to self-replicating molecule

As natural selection was inadvertently and inevitably selecting increasingly stable molecular patterns and various emergent properties that can arise from the interactions of such, eventually there came to exist some kind of self-replicating molecule or “orderly structure”. Once this occurred, this self-replicating order would spread more in comparison to other orders that did not exhibit such an emergent property. Imagine a gigantic bag full of Lego blocks which you shake constantly, which would represent our chemical soup and its sea of molecules. Also imagine that a particular shape, say an L shaped Lego block/molecule, interacts with other blocks/molecules in a way that sometimes when they collide with it some of the other blocks end up linking with each other to look like or resemble our original L block, and that because of this, this newly created L block-like block, also has the emergent behavior that sometimes when other blocks collide with it, they too end up linked looking and behaving like the original L block. So the original L-block ends up creating a few other L-blocks, who in turn end up colliding with more molecules/blocks helping create more L-blocks, who create even more and you get the point. So we can easily imagine how as time went by, inevitably, the L-block shape would become more numerous. So now, not only do we have natural selection inadvertently selecting for higher levels of order/stability but also for those orders which happen to be better at making copies of themselves.

Let us briefly go over this process again but in a more real sense. As explained by Campbell and Reece (italics text by C & Reece, non-italics are author’s comments):

“The properties of life emerge from an interaction of molecules organized into higher levels of order.” (Campbell & Reece, p. 520)

“Most biologists favor the hypothesis that life on Earth developed from nonliving materials that became ordered into molecular aggregates that were eventually capable of self-replication and metabolism....”

According to one hypothetical scenario, the first organisms were products of chemical evolution in four stages:

- (1) *the abiotic(non-living) synthesis of small organic molecules, such as amino acids and nucleotides;*
- (2) *the joining of these small molecules(monomers) into polymers, including proteins and nucleic acids;”* (Campbell & Reece, p. 516)

This “joining of small molecules” to form larger combinations(the polymers) results from the selective order-building-process. There are millions of possible molecular combinations achieving various degrees of stability and complexity. Inevitably, those that achieve higher degrees of both will become more numerous compared to other combinations which fall apart. Again, the more complex/stable molecular orders, plus the “joining” of these into larger and more stable orders, is naturally selected.

“(3) the origin of self-replicating molecules that eventually made inheritance possible”

At some point, some of these evolved molecular combinations/orders would exhibit a particularly important emergent property: the ability to replicate copies of themselves.

(4) *the packaging of all these molecules into “protobionts”, droplets with membranes that maintained an internal chemistry different from the surroundings.*

I would like to add to the sentence above, “membranes that would protect the already evolved internal order”. Once we have self-replicating molecules/order then those which will be better able to continue to grow in complexity are those that can shield and protect their already existing order against the tumult of the outside world. We clearly see this in the biological world. Most things we consider to be alive are made up of cells and an integral part of cells is a cell wall/membrane, or mechanism that protects the orderly processes that maintain the entire structure alive/orderly.¹

Orderly structures

Everything can be seen as being shaped by natural selection. All things which we consider to be alive, go through a soon-to-be-described evolutionary process and all of them are shaped by natural selection. And to live, or to be alive, is really to maintain the orderly structure which we call a living thing. When things that we consider to be alive die, what really happens is that they can no longer maintain their *orderly structure*. We die because the complex and orderly processes that occur within us break down, and eventually the entire structure(our whole bodies), which is dependent on all of the various parts(heart, liver, brain...) contributing to the whole, cannot function in a way that can maintain all of the internal structures it depends on and finally we lie helpless in death.

It helps to think of most things as being *orderly structures*. An orderly structure can be seen as anything that is made up of smaller parts whose interactions keep the larger thing in order. Orderly structures can be divided into two types, those that need energy and other resources to maintain their orderly structure which I will refer to briefly as Living Orderly Structures, and those that don't, Non-Living Orderly Structures. A rock does not need anything to maintain its structure so it is a non-living one, and since all living things need energy and other things to maintain their orderly structures they are, well, living orderly structures. The human body is an example of a very complex orderly structure. Orderly structures are composed of other orderly structures. Heart cells are the building blocks of hearts which are orderly structures, yet heart cells are themselves made up of smaller orderly structures like the nucleus, endoplasmic reticulum, and all the other things one finds inside a cell which are themselves orderly structures. Each of these orderly structures inside a cell is also composed of even smaller orderly structures and you get the point. All the way down the depths of human understanding, everything can be seen as being composed of orderly structures, their interactions and emergent properties.

Energy

Biological or living orderly structures require energy to maintain their order. Newton's first law of motion tells us that in order for you to move or change the state of something you need energy. All life needs energy that is spent to keep life going. Imagine the insides of one of the trillions of cells that

make up the human body. If there is no energy, the countless molecules/proteins/things that need to move from place to place inside the cell cannot be moved around and placed where they need to go. The instant there is no energy, whatever is moving inside a cell will just keep drifting until it bumps into something else in some random meaningless way, in other words, there would be chaos inside the cell, there would be no order, there would be no life.

Where does this energy come from? In our world it mostly comes from the sun. Imagine having a cannon that can shoot tennis balls in rapid succession. You could aim your tennis-ball cannon at a shopping cart and get it to move and do stuff. You could also store the energy by shooting the balls at a sort of coiled spring and somehow locking it while it is compressed, then unlock it to expand and push something else at a more convenient time. The sun can be seen as constantly bombarding us with tiny tennis-ball-like photons, and various types of photosynthetic life-forms like plants, capture and redirect the energy in an order and therefore life sustaining manner.

Production, consumption and homeostasis.

Living orderly structures have to consume resources(chemicals, nutrients/etc.) in order to keep their structures in order/alive. They also need energy to move such resources into place. Consumption is an ongoing and continuous process. For example, when I eat a meal, the food is broken down to the nutrients that are needed and can be consumed by the smaller orderly structures that I am composed of, like the cells in my body. These nutrients that are needed to release their stored energy and other things cannot be used up at once, if they were, the energy would run out, and as previously mentioned there would be chaos within the cells and they would no longer provide their services to the whole(my body) and I would die before being able to take the necessary steps to take my next breath or get my next meal. This process of ongoing consumption is what biologists call *homeostasis*.

Once something is consumed it is used up, or better said, transformed into something different than what it was originally before it was consumed, for example, when a potato is eaten it ceases to exist as a potato.

Living orderly structures also have to engage in production. Usually when we think of production we think of creating something like producing a car or a bike. When we produce something we take some matter/resources and recombine them into something else. This meaning is clear but for our purposes I would like to extend this meaning to also include the following: “to bring about to the point of consumption whatever resources are needed for consumption”. For example, plants need to take steps to *produce, or bring about to the point of consumption, energy, water and minerals*. For this they have to take *action* and interact with the world around them and alter it in some way. They need to create leaves with the necessary biochemistry to produce(or bring about to the point of consumption) energy from the combination of sunlight and chemicals, they need to grow roots that can absorb water and minerals. Animals need to move and find food, they need to take action to gather from a world external to themselves whatever is needed to maintain their orderly structure. Perhaps my extension of meaning to the word production is not really needed, when we tell someone to “be productive” we don’t mean for this person to actually create something, we are telling them to do something

that is of benefit to themselves, something that increases our well-being and is ultimately of benefit to our orderly structure.

A prehistoric hunter needs to produce food so he either gathers it or hunts it, after he has produced it, or again, brought it to the point of consumption, he consumes it to maintain his orderly structure. I bake and eat an apple pie; unlike the hunter that interacts with nature directly to produce his meal, I produce mine by mixing together various ingredients that I gathered earlier by trading money for them, cooking them in an oven, and consuming the finished product. The more you produce, the more you can consume. *There can be no consumption unless there has been some previous production.* Given that orderly structures need resources to maintain their structures, orderly structures, whether they realize it or not are competing against other orderly structures for these resources. Actually, in reality the orderly structures are not just ‘competing’ against each other, it can also be said that natural selection is just selecting those orders that happen to be better at maintaining themselves. Again, this is ultimately what natural selection does, it just selects for order.

Water is a good environment to build order from chaos

In order for natural selection to select higher levels of order, the conditions have to be right. Imagine an environment that is very hot. When the temperature is very high, that means that the atoms and molecules have a lot of energy and are moving very fast, colliding with each other harder, sort of vibrating more ferociously, easily breaking way from stable patterns they might have become parts of. In such high temperature environments, it is much harder to stumble upon the stable patterns that can build upon such stability to create even more stable and complex patterns leading to what we consider to be life. These environments are bound to remain chaotic and without order. This is why there is no life in the Sun. If on the other hand environments are too cold, there is too little energy/movement and the necessary bouncing around, coming together, and falling apart, needed for natural selection to select those combinations that can lead to an order that can be built upon. As opposed to the environment being too fast and unmanageable to build order as in the high temperature scenario, the low temperature one is too slow and rigid.

When our planet was forming about 4.5 billion years ago, it was too hot and frequently bombarded by large masses left over from the formation of the solar system. “The impacts were colossal; one of them might have dislodged a chunk of Earth that became the moon. During this period of bombardment, the pounding generated enough heat to vaporize all the available water and prevent seas from forming. Most geologists now agree that this bombardment phase ended about 3.9 billion years ago.” (Campbell & Reece, p. 512)

Once the bombardment ended and things cooled enough we got water, which provided the perfect environment to build order from chaos. If the water is too cold, it freezes and there is no recombination of chemicals out of which natural selection could select for higher levels of order. If it is too hot it evaporates, but at the right temperatures, it is a liquid and in such a state water molecules have an “emergent property” that provides an environment where other elements could bond with others and allow natural selection to

select for more complex and order-sustaining patterns which eventually became what we refer to as life.

Biological Evolution 101

The following introduction to biological evolution and evolutionary psychology is greatly oversimplified. Its purpose is not to show how evolution and the various sub-topics we will discuss work or came to existence with 100% accuracy, it is simply to get someone who might have little or no understanding of evolution, natural selection, and evolutionary psychology, a lot closer to understanding them. It is to get a feel for how evolution helps to shape our nature, and for this knowledge to become a strong enough foundation in order for us to understand how our biology might affect our culture and politics.

Evolution example using book analogy

Imagine a world of living books whose sentences (genes) describe how to build them and how to act in order to survive. As the books get old, the letters in their pages fade and the sentences they are a part of no longer make sense and this causes the books to have frequent malfunctions, break down, and eventually die. The books roam around with four little wheels in an environment that has little paper trees that they eat to nourish themselves. When they get big and old enough, a male and a female book have sex where a sperm from the father that carries a copy of half of his sentences fuses with an egg containing half the sentences from the female-book to create the embryo that will grow into the baby-book. The sentences in the baby-book are read and interpreted to build the baby and 6 months later the female-book gives birth. Let's assume that two books have sex and in the process of copying the pages from the father-book to the sperm a change occurs and the sentence that read "Make wheel 2 inches in diameter" is changed to "Make wheel 3 inches in diameter". When a sentence changes we say a *mutation* has occurred. The new child-book will have a new sentence that no one else has and because of it he will be different. His wheels will be 3 inches in diameter while everyone else has wheels 2 inches in diameter. Let's assume that in Book-World there are many potholes or cracks in the floor where books with 2 inch wheels often meet their death by getting stuck, and therefore can no longer have sex and copy their sentences on to new offspring. Our new child-book with 3 inch wheels can easily go over the potholes/cracks without getting stuck so he doesn't die and grows up to have many more chances to have sex and copy his sentences to child-books compared to the rest of the population. His children inherit the "Make wheel 3 inches in diameter" sentence so they too grow up to have larger wheels that don't get stuck and they get to reproduce and copy this sentence onto their offspring. Given that books that have this new sentence are much more likely to copy some of their sentences than the other books, over time many or all of the books in Book-World will have the "Make wheel 3 inches in diameter" sentence. Let's look at this from another perspective.

A book can be seen as a large enterprise made up of sentences that provide a function that ultimately help the book reproduce. Reproduction ends up being the unconscious goal of such sentences because this is how the sentences get to exist in the first place. If the sentences do not describe useful

characteristics that make a book that can grow up and copy its sentences by reproduction, the sentences don't get copied and cease to exist, therefore sentences that do exist have to play or have played some useful role which ultimately led to the book's reproduction of its sentences. Sentences 'live' through time thanks to the unbroken chain of reproduction that goes back millions of years. If the sentences of one book happen to somehow increase the chances that the book they make up reproduces more than other books, then they have a higher chance of spreading through future book populations.

Let's assume that Book-World only has enough paper trees to feed and support a total population of 1,000 books and I am the "Make wheel 3 inches in diameter" sentence and you are the "Make wheel 2 inches in diameter" sentence. Since I provide the book that contains me an advantage compared to your book, there is a higher chance that the book I am a member of will reproduce and therefore get me copied into future generations compared to your book. Let's say that the mutation which gave me life occurred in year 1 so that only a single book has a copy of me and 999 books contain copies of you. Since I ended up providing a great advantage to the book that I help describe/make, my book manages to have more offspring compared to books that have you in them. Let's say that by year 4 I exist in the first book that had me and also in 3 of his offspring so there would be 4 books with copies of me and 996 books with copies of you.

It is important to keep in mind that there are only enough paper trees to sustain a population of 1,000 books. Sentences that describe a particular characteristic, like wheel diameter in this example, can be said to be inadvertently competing to make it onto the same page, or slot, in future book populations. We continue...

By year 8 let's assume that the book that contained my very first copy has already died of old age but his three descendants (thanks to having me describe wheels that don't get stuck and cause an early death) managed to have a total of 8 offspring so that there are now $3+8 = 11$ books with a copy of me and 989 books with a copy of you. Let's assume that by year 12 there were now 35 books with a copy of me and 965 with a copy of you, by year 20 the ratio of books with a copy of me compared to a copy of you was now 212/788, by year 24 the ratio is 503/497 and there are now more books with a copy of me instead of you, by year 30 there is a single book with a copy of you, a book that did not have any descendants and by year 32 you ceased to exist in any of the books alive and therefore you cease to exist period. This is how sentences come into existence and spread in a population replacing sentences that weren't as likely to contribute to the continued reproductive success of the book.

What are some of the sentences that would find themselves being copied into future book generations? Every book must have sentences that describe a mechanism for digesting food. If a book is born without such sentences then it will not live very long and fail to grow and have sex and copy its sentences onto future generations of books. When this book died, there would no longer be a book without the "how to digest" sentences, therefore every book has to have sentences that describe how to digest food. Every book must also have sentences that describe how to have sex and reproduce, if a book didn't have such sentences although it could live its own existence it would be the last of its kind. All books are descendants of books that had

sentences telling them how to have sex and reproduce.

All living things are like the living books just described. Biologists call the book that describes how to make a living thing a *genome* and each sentence that ultimately describes a particular characteristic of the book/genome a *gene*. Another popular analogy is that of a genome being analogous to an architect's blueprints for a building. The blueprint/genome describes how to make a building/life. Specific design elements in the blueprint that describe how to make doors, or how many elevators and what kinds, etc. are synonymous with genes that describe how to make eyes, digestive systems, etc.

The world is a dance between living things (genomes/life describing books) and their environment. Whenever you see life you are looking at living books that have sentences describing how to create a creature that can live in a given environment. As the environment changes, sentences in the books that better describe how to live in this new environment will help the creatures that carry them be better able to copy their sentences on to the next generation, and with time all books will have the new sentences that better describe how life can continue in the new environment. As the environment changes so do the sentences in the books. It is important to always keep in mind that what really 'lives' through generations into the future is new copies of individual sentences(genes). Books are just temporary collections of these sentences who live and die in the process that gets the sentences copied onto the next book. We always want to keep our eye on the sentences/genes and how they inadvertently help themselves get copied onto future generations by somehow helping the book or books that carry them survive and reproduce.

Evolution example with real animal

Let's go over another example very similar to our previous one but we'll use a real animal. Let's say we have a population of giraffes and the genome of each giraffe has a gene that reads, "Build a neck that is 5 feet", so that all the giraffes will have necks of the same size. When these giraffes have sex and reproduce half the genes from the father's genome and half from the mother's genome are put together to make the child's genome. That is why none of us are exact replicas of either one of our parents, some traits come from mom and others from dad. In our giraffe example, since both parents' genomes had genes that read "Build a neck that is 5 feet" the child will have a copy of this gene in his genome and he too will have a neck that is 5 feet long. Whether the "Build a neck that is 5 feet" gene is the one that came from the father or the mother need not concern us here, reproduction and evolution are more complicated than our simple examples show but these examples are good enough to get us to understand the essence of how evolution works.

Now let's imagine another scenario where two giraffes from our original population have sex and similar to our previous example, while $\frac{1}{2}$ the genes were being copied from the mother's book to her egg a mutation/change occurred on one of these genes so that it now reads differently. The original gene is the one that read, "Build a neck that is 5 feet" and the mutation changed the 5 to a 7 so that the new gene that the child giraffe will have now reads "Build a neck that is 7 feet". When our giraffe is born he will have a brand new sentence in his genome that no other giraffe has and he will be different because of it.

Is our new giraffe(Jiffy) better off with a neck that is 7 feet tall as opposed to the 5 feet one that everyone else has? With the extra 2 feet of length Jiffy can get to leaves that are higher up on trees so it would seem like a plus. Jiffy will have to eat more to properly nourish his bigger body, so that would be a minus. The longer neck might also be weaker and more likely to break. If there is a lot of fighting amongst other giraffes this might be a very bad thing. What if in the environment there are no tall trees and all the other giraffes can get to all the leaves with ease, in this case Jiffy would be worse off because he would have to eat more to nourish his big neck but have no advantage in collecting food. Having a longer neck also means that the heart has to work harder to pump the blood higher up than it would otherwise have to, perhaps causing Jiffy to have dizzy spells during runs or brain damage. But maybe there aren't that many trees around so food is always a little hard to come by and the trees happen to be very tall with lots of leaves higher up where the other giraffes can't get to them. In this case, even with some of the problems that the longer neck might bring, Jiffy might be much better off. Whether Jiffy is better off or not ultimately depends on the environment where he lives in and many factors. If we assume the case where Jiffy is in an environment where the longer neck ends up making his chances of reproducing much greater than the other giraffes, this means that there is a higher chance that Jiffy will get to reproduce more and therefore the gene "Build a neck that is 7 feet" will get copied to more child giraffes instead of the gene "Build a neck that is 5 feet".

Let's assume that the environment was such that Jiffy was able to have more children grow old enough for them to reproduce thanks to the advantages he got from his new gene. Maybe since he could feed himself better he had more energy when it came to fighting with other males for access to females, maybe he had as many children as other giraffes but he was better able to feed them while infants and during times where there was little food available. Again, it all depends on the environment but when we add it all up in our particular case the giraffes that had the genomes with the gene for a 7 foot neck instead of the 5 foot one(Jiffy and his descendants), were more likely to have their genes, which include the 7 foot neck gene get copied to the successive generations, and eventually all giraffes had the "Build a neck that is 7 feet" gene in their genomes just like the "Make wheel 3 inches in diameter" gene spread itself into every book/genome in Book-World.

Let's recap. Genomes are books with genes/sentences that describe how to make an animal/plant/life that can survive in a particular environment. Sometimes a change happens in one of the sentences/genes that results in a new slightly different gene and therefore a slightly different animal. If the new gene enhances the ability of this animal to reproduce(i.e. make more copies of his genes) compared to other animals that don't have this new gene, there will be more books(offspring) that have the new gene compared to those that don't. These children that have the new gene will have more success making copies(by reproducing) of their genes which include the new gene, and so will their offspring and their offspring's offspring and so on until all animals have the new gene in their genomes. If the new gene happens to hinder the reproductive success of the animal/plant/life, then there is less of a chance that the genes that make up this animal, which include our bad gene, will be copied to successive generations and therefore this gene will disappear from existence or in biospeak, the *gene pool*. If you are born with a gene that prevents

your heart from working, you die, and that gene will never get a chance to be copied onto future generations. If on the other hand the gene improves your heart's functioning by 50% then it improves your fitness compared to others, which increases the likelihood that you will reproduce more times than others and therefore pass this new gene to more offspring than the rest. Again we want to keep in mind that there are only so many hosts/animals/books in a given population, and as one gene spreads through more of these hosts, the other genes/sentences that sort of go in the same slot/page are replaced. The more copies of the gene "Build a neck that is 7 feet" there are, the less there will be of the gene "Build a neck that is 5 feet".

Selfish genes, transposons and genetic relics

Imagine a genome with a gene that more or less says "make copies of me". This gene does not seem to create any useful characteristic for the animal; all it seems to do is just to increase the size of the genome by getting itself copied more than others. What is there to prevent such a thing from happening? If evolution really works as previously described, this is a gene that once it somehow came into existence it would inevitably be a part of future generations and end up copying itself all over the place. This is exactly what happens and genes that seem to just say "copy me" are indeed very numerous in genomes. In the human genome about 45% of our genes can be classified as being of this "copy me" type, biologists call them transposons. One particular gene referred to as ALU makes up 10% of our human genomes and we have about 1 million copies of it. Amazingly only about 1-2% of the genes in our human genomes actually describe something that gets created and becomes a real characteristic of a human being.

Besides the 45% of transposons there are also genes that might have described a useful feature in the past that would serve no function or be a detriment for us to have in the present. Here is what I mean, imagine that millions of years ago it would rain very often in Book-World and among the genes that books had at the time, there were sentences/genes for an umbrella-like organ, a sort of shell, that would grow on top of books and would prevent too much water from landing on them, messing up their pages, and killing them. Over a few thousand years the environment changed so that it would barely ever rain and when it did it was just for a few minutes and the amount of water that would land on a book, should he not have the umbrella-like organ, would not have been enough to cause any damage to it. The genome of all books at the time might have had a section that looked like the text in the table below.

Sentence Number:	Sentence(gene) text
1909	Go to page 3100 and carry out instructions until page 3900, come back to this sentence and continue reading after this sentence.
1910	Gather calcium, make into ball, stick ball into gums inside mouth, repeat this process 20 times.
...	
3050	Stop. Baby is complete.
.....	
3100	Gather nutrients to build umbrella
3101	Build umbrella skeleton by doing so and so...
....	...
3900	Umbrella organ is complete. Go back to sentence 1910 and continue reading from there.

These sentences/genes would be read and carried out as the baby-book develops inside the mother's womb. The first sentence(#1909) in this section of the genome tells the mother's baby-building-mechanism to continue reading but in a different part of the book, it is this 800 pages worth of instructions that reside in pages 3100 to 3900 that describe how to make the umbrella-like organ, the next sentence(1910) seems to describe how to make the book's teeth. Next, imagine that the first sentence(1909) was accidentally skipped when the sentences were being copied from the father to the sperm. The offspring that was conceived from this sperm would have the 800 pages that describe how to make the umbrella-like organ because those were not skipped and were successfully copied to the sperm and therefore the offspring, but those pages would never be read because the sentence that instructs the mother's baby-building-mechanism to look for them never made it to the sperm and therefore never made it to the child. So when the mother reads the sentences that create the offspring the sentence "Go to page 3100 and carry out instructions until page 3900, come back to this sentence and continue reading after this sentence" will not exist, so she will not read and interpret the sentences (genes) that tell her to create the umbrella-like organ and the child would grow up without it, even though he has the genes for it. Without reading sentence #1909 and making the jump to page #3100 to build umbrella, it would eventually reach sentence #3050 and stop.

Not having this large umbrella-like organ meant that he was lighter and could get by eating less food, move around faster and not be burdened with it when he was old and weak, thanks to this he was able to be more productive longer and have more children. His children would also have the pages for creating the umbrella-like organ but they too do not have the sentence that started the process of creating the umbrella, so they too had the same advantages as their dad and eventually all books were descendants of the first book to lack the sentence for beginning the building of the umbrella-like organ. All the books would now have sentences that were "relics"/"fossil

genes” of a time when they described something useful. In this case, instead of a new gene providing a great advantage, it is the lack of a gene that provides it. Genomes/books that were missing the “Go to page 3100 and carry out instructions until page 3900, come back to this sentence and continue reading after this sentence” gene, would do better, and eventually this gene would slowly disappear from the population, as the books that didn’t have this gene eventually out competed those that did.

What would happen if a mutation occurred in a gene that is responsible for a vital function and due to this mutation the vital function can no longer be performed? Easy huh? The animal dies and so does this bad mutated copy of the gene. The bad copy is removed from the gene-pool, or collection of genes that exist in the entire population of animals/books, and will never get a chance to make it onto future populations. But what would happen if the mutation occurs in one of the genes that described how to make the umbrella-like organ that is no longer being interpreted or needed? Nothing. Since natural selection is no longer exerting pressure or selecting for the ability to shield the books from rain, the “umbrella organ” genes can mutate all they want since they no longer have to really describe how to build a good umbrella. So genes/sentences that are under “selective pressure” are kept sort of “clean” or unchanged, while genes that are no longer under selective pressure are allowed to mutate and lose their original purpose/meaning. This is how “Use it or Lose it”² works in evolution. Those genes/sentences that are useful, that inadvertently aid the life they help create to reproduce, are “used” by natural selection to build the orderly structure that the animal is at a very fundamental level. Those genes that are no longer useful for maintaining such order are allowed to be “lost” as they mutate more and more with the passage of time and the random changes that occur.

Seventy five million years ago our ancestors were mouse-like creatures, as we changed through time some of the sentences/genes that described this mouse-like animal changed but others remained in our genomes and are just skipped/ignored and allowed to mutate without really affecting us just like the “umbrella organ” genes. Our more mouse-like ancestors had genes that described how to make a superior olfactory system than the one we have today. But it seems that as our vision became better and better and we relied more on it for our survival, such wonderful olfactory system lost its importance and the genes responsible for it were able to mutate to the point where the olfactory system degraded but it did not cost us our continued existence. (Carrol, p. 128)

This book-copying which is an integral part of life does not have someone cleaning up the pages and making them nice. If there happens to be too many of these previously described ‘copy me’/‘selfish genes’ to the point where the genome gets too big, or somehow hinders the ability of this genome to successfully create an animal that can grow and reproduce (copy his genes), it would cease to exist compared to other genomes that didn’t have so many ‘copy me’ type of useless ‘junk’ genes. Also genes that would create a mechanism for preventing useless genes from getting copied all over the place in a way that would be detrimental to the life-form would spread compared to genes that would allow these ‘copy me’/‘selfish genes’ to just blindly spread everywhere in the genome.

It can be seen as if some genes are ‘crooks’ that copy themselves all

over the place and if they are allowed to do so they help bring about their own destruction due to damage they might cause to the life-form that contains them. These 'copy me'/'selfish genes'/'crooks' would owe their own existence thanks to 'police' genes that prevent the 'crook' genes from causing too much harm and preventing the life-form that houses them from reproducing. Anyways, if these last couple of sentences don't make much sense that is ok, but the bottom line is that there is an amazing world of unconscious and unintended drama going on inside of us, and it could be said that what us plants/animals/living things are, are just the complex and advanced vehicles that our genes have inadvertently created that help them continue the sentence/gene copying process which we call the cycle of life. Moreover, at a more fundamental level this entire mechanism is simply the mechanism that natural selection inadvertently selected because it just managed to create self-sustaining order, which is what all life really is, order. Life is a chain reaction of self-sustaining order that has been going strong in our planet for about 4 billion years. Four billion years ago it could be said that there was 0 biomass, or matter that was incorporated into living things. As natural selection selected for order/life, more and more matter became incorporated into this order building chain reaction.

One final concept we want to keep in mind is that genes ultimately contain *knowledge* that describes how to build order/life. As natural selection builds biological order, such order has to be maintained in a precise manner, which means that matter has to move and be incorporated into existing structures in a precise way, this requires knowledge, and again, this is what genes contain. When we look at social order in the coming chapters that deal with economics and the evolution of the social organism, we will once again see the important role that knowledge plays in creating order, in that case it will be social order, order that is made up of billions of human beings and the orderly things they create like cities, cars, planes, etc. All of these orderly things, the people, the cars, the manmade world, require knowledge that ultimately helps relocate matter in a precise way just like in the so-called biological world we are currently looking at. The knowledge that guides the transformation of matter that creates the social order is stored in human brains, tools, etc. and it is created and coordinated by *the market process*, more on this later obviously. But the important point to keep in mind is that biological as well as social order requires energy to move matter *and* knowledge of how to move such matter.

From now on when discussing life we will do so in a general manner, looking at living things as genomes whose genes describe mechanisms or *strategies* that ultimately help life continue its never-ending cycle of reproduction and self-sustaining order generation.

A brief look at cancer

An evolutionary understanding of cancer contains a fundamental lesson in the way that natural selection builds order. It is a lesson that is not only crucial for understanding how natural selection adapted unicellular life to create more complex and orderly multicellular organisms like plants, animals, etc., but equally important for understanding how natural selection is currently adapting tribal human beings to create the social order/organism. Here is what I mean...

As natural selection was selecting for higher levels of order it eventually created multicellular organisms from unicellular ones. If we go back in time to where this important event was taking place, we find a unicellular world where being quick to reproduce was one of the most important traits of life. Single celled life, like bacteria, have to be very good at multiplying, those that have genes that help to quickly multiply, and therefore copy their genes, will have a great advantage compared to those that don't, and it is for this reason that the unicellular world is full of reproductive experts compared to our reproductive capabilities. Some bacteria can reproduce in as little as 10 minutes (Eagon). As Nick Lane explains:

“Bacteria replicate at colossal speed. When well fed, *E. coli* bacteria divide once every 20 minutes, or 72 times a day. A single *E. coli* bacterium weighs about a trillionth of a gram. . . In two days, the mass of exponentially doubling *E. coli* would be 2664 times larger than the mass of the Earth. . . Luckily this does not happen, and the reason is that bacteria are normally half starved. They swiftly consume all available food, whereupon their growth is limited once again by the lack of nutrients. Most bacteria spend most of their lives in stasis, waiting for a meal.” (Lane, p. 114)

The cells that make us up are descendants of such quick multipliers who underwent enough changes to *suppress* such wild reproductive capabilities, changes that were needed in order to cooperate in a larger multicellular enterprise/organism like our bodies. For example, while many simpler bacteria will just eat, grow, divide and therefore multiply given the opportunity, most animal cells have evolved what is called *anchorage dependence*, where to divide, cells first have to be attached to something. There is also *density-dependent inhibition*, a set of genes and mechanisms that prevent the cell from dividing/multiplying once they are surrounded by other cells. By being surrounded by other cells, this creates a denser environment, which triggers the density-dependent inhibition that prevents further cell division/multiplication. Another crucial mechanism of animal cells is that of *apoptosis*, a process of cell suicide where cells dissolve themselves and are sort of eaten up by surrounding cells. In order to cooperate, cells have to destroy themselves when appropriate. Syndactyly, is a condition where two or more fingers or toes are fused together. This is ok in some animals, but it is not in humans. In early human fetal development, webbing of the toes and fingers is normal, but eventually apoptosis occurs killing the cells that made up the webbing and the webbing disappears leaving us with our normal digits. Unfortunately for some people this process of apoptosis does not occur appropriately and they are born with webbed digits. Apoptosis occurs not just in this example but in many other situations, including many instances where cells are damaged.

Cancers occur when this highly evolved cell division and control mechanisms, that are crucial for cells to work together on a larger enterprise, fail to properly control cell growth/division/life, leading to runaway growth and all the subsequent problems that this can cause the larger organism. As natural selection was doing its thing, selecting that which inadvertently led to a more stable order, these changes that enabled cells to coordinate in a larger enterprise, were naturally selected for. Compared to their unicellular ancestors, cells that make part of multicellular organism can be seen as more “civilized”,

they have mechanisms (anchorage dependence, apoptosis, etc.) that help them cooperate to enable the functioning of the larger organism. Unfortunately, the process is not perfect, sometimes things fail and the cells can be said to revert to their more “tribal” existence where runaway reproduction is what came naturally to them. When some of these mechanisms fail, and cells continue to reproduce when they are not supposed to, and things like apoptosis are not triggered to have these malfunctioning cells self-destroy and stop reproducing, you get a tumor, “a mass of abnormal cells within otherwise normal tissue. If the abnormal cells remain at the original site, the lump is called a benign tumor. Most benign tumors do not cause serious problems and can be completely removed by surgery. In contrast, a malignant tumor becomes invasive enough to impair the functions of one or more organs. An individual with a malignant tumor is said to have cancer.” (Campbell & Reece, p. 229)

Cancers can be seen as the result of the still ongoing evolution and transition from single-celled life to multicellular life. The process is not perfect, nothing is, it is pretty damn good though. We are made up of over 50 trillion cells, and for the most part it is not until old age that enough of our mechanisms break down that these problems occur in large enough numbers that ultimately lead to our deaths.³

As mentioned at the beginning of this section the reason why we have briefly gone over cancer is twofold. Not only does it help us understand how natural selection slowly adapts a more selfish unicellular existence to build more powerful, complex, and self-sustaining orders via animals, plants, etc., but it also provides a window into what is currently happening to humanity and the evolution of the social order/organism. Just like cells had to abandon/suppress/adapt characteristics which were crucial for their orderly survival as (like quick/ceaseless reproduction) and evolve cooperative ways, human beings are currently going through a similar process. Our brutal tribal instincts, and more importantly, the accompanying morals/religions/customs which were crucial for survival in the tribal past are being adapted by natural selection to enable the growth of the social organism. Instead of tribal warfare, violence, intolerance, coercion, or “the law of the jungle”, we are moving towards tolerance, peace, trade, and respect of private property regardless of our easily aroused envy/jealousy of others and how seemingly different from us they might look. In the coming chapters where we look at the evolution of the social order, the market process, law, culture and more, how natural selection is currently adapting us will become more obvious as well as the parallels with the evolution of cancer.

Understanding brains and language

Our genomes have genes that describe basic biological mechanisms needed to have sex and reproduce, eat and digest food, create eyes, move around, and so on. The thing that really sets us apart from other living things like plants and bacteria is our brains and the advantages that it brings. When we think of other animals we often say that their actions are “instinctual”. Behaviors that we tend to refer to as instinctual are behaviors that are more likely to correspond to strong genetic influence as opposed to learned behavior. For example, frogs instinctively eat small flying insects. They are not taught by parents to eat flies since they begin life on their own as tadpoles from the moment they are born. Therefore, we could guess that frog’s

genomes have a set of genes that more or less say, “if a small flying thing is close catch it with tongue”. This would be a very crude guess using our simple evolutionary understanding but we need to dig deeper.

Brains are made up of many different systems that interact with each other. Let’s imagine what our frog brain might be like and how it works. For our example imagine the frog is sitting on a rock surrounded by grass, there is a clear blue sky, a snake is standing still 3 feet in front of the frog, there is a leaf falling one foot in front of the frog and there is also a fly flying just three inches in front of the frog. The frog’s brain will have parts or systems that coordinate different things. For example, it might have a Real World Modeling System(RWMS) . The nerves from the frog’s eyes carry information to the RWMS. The RWMS is like a large TV screen inside the frog’s brain where all the other systems that need to know what the frog’s external world is like can get this information. Connected to the RWMS is the Object Classification System(OCS) which identifies patterns it recognizes in the RWMS, like the blue part at the top of the image will be classified as sky-like, green stuff around as vegetation-like, a nearby long and thin thing as snake-like, and two nearby flying things as leaf-like and insect-like. Connected to the OCS we might have a Threat Detection System(IDS) which constantly monitors the objects recognized by the OCS to see if any of them are considered dangerous. Also connected to the OCS we have the Food Detection System(FDS) which also monitors the OCS for objects that it recognizes as food. Another important system would be something like an Action Rank System(ARS) which takes requests for action from the various other systems in the frog’s brain, ranks them according to their importance, and coordinates the carrying out of the action which it considers the most important. One possible scenario with our frog could be as follows. After the objects have been classified by the Object Classification System the Threat Detection System identifies the snake as a threat and sends a message “danger, jump away” with a priority of 3(1 being low priority and 10 being highest) to the Action Rank System. At the same time the Food Detection System identifies the fly as food and sends the message “eat fly” with priority of 10(1 being low quality undesirable meal, 10 tasty easy snack) to the Action Rank System. The Action Rank System now has to rank both incoming messages according to what it considers to be the best action to take, let’s assume that it ranked them in this order: 1 eat fly, 2 jump away from snake, 3 remain still and do nothing. Given this ranking it would eat the fly. To eat the fly, the Action Rank System would communicate with other systems that would coordinate the physical movements needed to eat the fly. After eating the fly, the Action Rank System will have to rank between two actions, jumping away from the snake or remain still and do nothing. Actually, all of these systems are constantly working and reevaluating the world. The frog might be in the process of thrusting its tongue but notice the snake coming towards it and quickly re-evaluate/etc.

The various systems we have described that make up the frog’s brain have genes that describe how to make them. Genes that describe brain systems that somehow lead to more reproductive success on the part of the frogs that have them will spread through the future frog populations until at some point in the future all frogs will have the new and better genes. Ultimately brains can be thought of as computers whose calculations and actions lead to the successful copying of the genes that describe how to make the animal that houses the brain. Genomes describe how to make the brains

which will act based on their ability to understand the world around them but the genes do not explicitly describe these actions. We would not find the gene/sentence “if a fly is within 3 inches catch it with tongue” in the frog’s genome. Actually, the more instinctive the behavior the more likely we are to find something that does resemble such a gene, but for the most part it is important to understand that the actions that animals take are not described in the sentences/genes that describe them, the actions are the results of the calculations made by the animal’s brains. All human beings have experienced the temptation to steal yet nowhere in our genomes does it say that we should be thieves. It just happens to be that most human brains are smart enough to know that stealing is good for us, we are also smart enough to know that the future holds bad consequences for acts of theft, and for most of us, our brains reach the conclusion that it is not something we want to do. The same applies to all kinds of “evil” acts we might want to do, like rape, or murder. How many of us have gotten mad at someone and for a moment or longer, depending on the person/situation, wished we could kill this person or he/she were dead? Most of us I would guess. What about rape, or sex with a 13 year old? Sex is strongly associated with pleasure and a lot more. Our brains are not born politically correct or “moral”, they simply calculate and envision courses of action which it considers to be in our best interest, and the thought of rape or sex with anyone can easily enter the mind. At the same time, thanks to our brain’s flexibility and ability to predict the future outcomes of its actions, it will choose not to act on many scenarios which it might consider to be in its immediate best interest, but knows that they will be detrimental in the long run. Most of us are raised so well and have our brains ‘programmed’ to live in our modern worlds, where respect for other people’s private property(which obviously includes their bodies) is such a central theme, that the thought of stealing/raping/murdering rarely makes it into our minds, but this is thanks to our culture/upbringing and incentives. There can be no doubt that if any well adapted adult male in today’s modern society who might never think of killing or raping anyone were born into your average culture of 30,000 years ago, the thought of killing and raping, and having 13 year old wives would have been common in his mind.

Human beings can be said to be made out of two books, our genome which contains our purely biological genome/book which describes our physical characteristics, and our “cultural book” which encompasses the languages, concepts, laws, customs, ideas and everything else which we consider to be culture and is absorbed and helps mold our brains as we grow up. This “cultural book” and its evolution will be the main theme of chapter 4, for now let’s just stick to our purely biological discussion about our brains.

As our brains have evolved, our ability to predict further into the future what the outcomes of our actions might be, in other words our imagination and foresight, has gotten better. Not only do we experience the same impulses that other animals do but our ability to act based on reason not just on impulse has led to better decisions. When we act on impulse, a given situation will lead to a given outcome, but when we use reason, we think ahead and imagine what the possible outcomes of various actions might be and then use something like the Action Rank System just described to choose the one we feel is best. And this ability to model the world around us and constantly make more accurate predictions looking further and further into the future is one of the most important advantages our brains provide.

How our brains work help us understand why we can be glued to the TV all day. Sports exists because this cultural activity has been favored by men who are naturally attracted to it as a way to show off our physical abilities and in a way to simply continue a cycle of physical play that has been important for fine tuning our physical abilities. Part of the popularity of sports and things like TV in general are due to how our minds work. The brain doesn't really care much whether the stimulus it gets comes from doing something for real, or imagining it, and fooling itself. When a professional athlete is attempting to make that winning shot, his brain is receiving the real stimuli from the real world. All this stimuli enters his brain, leads to excitement, nerves, etc. When we watch TV, we might not be the ones playing, but similar stimuli enter our brain via the TV and its sounds. Our ability to imagine and put ourselves in the player's shoes is why we can get as nervous and be just as excited watching a game on TV as the real athlete playing the game. Our brains are just organs that create these abstract models about the world. The same occurs with pornography, it is not a real woman in the screen, the sperm will not lead to reproduction, it is a waste of effort and calories, yet the brain is fooled by this.

The brain's concept of the self is not hard-wired either. We can feel happiness and sadness when good or bad things happen to others because our minds can easily not care about whether that which has happened occurred to the body it controls or another one. This ability to share experiences helps us relate to each other.

The special role of language needs at least a paragraph or two even in such a short talk-about-everything book. Language is not just about expressing ourselves, conveying and absorbing information, it is much more important than that. Language helps classify and give an efficient order to the information and concepts that a brain learns. For example, how do you think? I often times "talk" to myself in my head, or talk to my "conscience", or also envision myself talking to other people. Imagine a language that did not make use of nouns. We use nouns to identify places, persons, or things, like cat, dog and so on. How would this affect our ability to think and process information? Instead of easily being able to identify and recall a "spear" and "deer" and combine them into more complex and useful thoughts like "throw the spear at deer", we might have to use many adjectives in place of the noun. For example to refer to a spear one might think of "long, thin, sharp, killer" and "throw the spear at deer" might have to be expressed as follows "throw the long, thin, sharp, killer at fast, brown, furry, jumping". This "nounless" way of thinking is obviously much more cumbersome and requires more brainpower and speed to convey and piece together productive thoughts and ideas. What if we didn't have the concepts of nouns, or adjectives, or verbs? I get a headache just trying to think about this. As Hazlitt tells us:

[referring to man in general]He could not think at all(or only at the level of a chimpanzee) if he did not inherit from the society and civilization in which he was born the priceless gift of an already created language. Without this he would not only be unable to reason logically, he would have nothing worthy to be called a "concept". He could not frame a sentence; he could not even name things. We think in words, even in conversations. Our language, concepts, and logic are part of the social inheritance of all of us"... "As the great nineteenth-century philologist Max Mueller put it: "To think is to speak low. To speak is to think aloud". The corollary of this is tremendously

important. A man with a scant vocabulary will almost certainly be a weak thinker. The richer and more copious one's vocabulary and the greater one's awareness of the fine distinctions and subtle nuances of meaning, the more fertile and precise is likely to be one's thinking. Knowledge of things and knowledge of the words for them grow together. If you do not know the words, you can hardly know the thing. We are told that the Tasmanian method of counting is: "One, two, plenty." This points to a very significant truth. Man could not even count, certainly not beyond the number of fingers on his hands, until he had invented names and symbols for numbers. For in speaking of the need for language for thought, we must, of course, include symbols as an integral part of language. It is amazing how recent in human history are even the Arabic numerals, the denary system, and elementary signs for addition, subtraction, multiplication, and division..." (Hazlitt, p. 51)

Also Ludwig von Mises summarized it nicely when he wrote:

"Thinking is linked up with language and vice versa. Concepts are embodied in terms. Language is a tool of thinking as it is a tool of social action." (Mises, 1998, p. 177)

The bottom line is that language is not just crucial for conveying and absorbing information but it is also a key element in our ability to think period.

Selfishness and altruism

In the following sections we'll use our basic understanding of evolution to speculate about important topics. As already mentioned, the explanations are not going to be very thorough or 100% correct, their purpose is to get the reader to think in evolutionary ways and understand how evolution influences our behavior. Most of us are familiar with the expression "Nature vs. Nurture", how much of our behavior is instinctual or in other words, more closely associated with our genes(nature), and how much of it is due to our upbringing and culture(nurture). The following sections lean towards the nature part and later in chapter 5(Cultural Evolution) we will discuss the role of culture and what we would describe as nurture. We know that everything about human beings is a mixture of these two concepts, but to what degree something is based on nature or nurture is a very hard thing to figure out. In many ways much of what will be discussed or implied in this section with respect to the role that nature plays will be largely refuted, or greatly altered, when we look at the role that nurture/culture plays. But that is ok, the important thing here is to understand how biological evolution exerts its influence on the nature side of things, and not necessarily to know exactly how strong an influence it is responsible for.

Why are we selfish?

The sort of obvious answer to this question is that selfishness is a winning strategy which is therefore naturally selected. Genomes that have genes that cause their hosts to act selfishly just happened to make more copies of their pro-selfish behavior genes compared to other genomes that didn't have genes that described behavior that was as selfish.

In some ways the more selfish you are the better you are going to do compared to others. Living things need resources to survive, resources that

are always in limited supply. The resources you need to survive also often happen to be the same resources other members of your species and other species need as well, so all books/genomes are competing against each other for resources. Nice books that didn't care about themselves and put others ahead of themselves would end up with fewer resources, which eventually translates to fewer copies of these 'nice genes' being made compared to the more selfish-behavior-inducing-genes.

Imagine a population of altruists, people who put others before themselves. Let's assume that a mutation occurs in one of the sentences/genes and this member is not as altruistic or is a little more selfish than the others because of this change. This new member might end up leeching off his nicer neighbors. He won't hunt or gather food as much and just take the freebies that his friends so kindly give to him⁴. This new book/animal with the more pro-selfish sentences will have more time to spend just making copies of his genes. Since his offspring have everything they need due to the kindness of the altruists all around, and they inherit the pro-selfish sentences from their parent, they too will grow up well and continue to take advantage of the altruists. The altruists will find themselves spending more and more time giving resources to those with the more selfishness inducing genes as opposed to the nice pro-altruist genes. In other words, they spend more time and resources helping the more selfish genes spread at the expense of their more altruist genes. As the generations go by the last few altruists will spend their lives working for others until they die and all that will remain are animals with the more selfish genes. Selfish behavior just happens to lead to more copies of pro-selfish genes being made and spreading through a population. Books/genomes that carry the altruist sentences would not make as many copies therefore their altruist genes would eventually disappear from the books/genomes in this population. Bottom line, natural selection has shaped most life to care more about itself than others. This does not mean that human beings have specific genes for selfishness, no one will ever find "the gene for selfishness", it just means that the interaction of many genes exert an influence that shapes more selfish behavior.

Why do we care for and love our children?

This seems like a stupid question with an obvious answer but let's briefly look at it from an evolutionary perspective. People that did not have genes that ultimately led to some kind of maternal/paternal instincts to care for their offspring when they were too young to fend for themselves would have had their offspring die, and these people's genes would no longer keep passing through time and would cease to exist. We are all inheritors of genomes that had genes inducing them to care for their young. In many ways it is just as important to help your children grow as it is to have them. This is why we care so much for our kids and anything related to their well-being is so important, especially for mothers.

A dirty little fact of life is parents choosing favorites amongst their children, as Pinker mentions, "Though enlightened parents try mightily never to play favorites, they don't always succeed. In one study, fully two-thirds of British and American mothers confessed to loving one of their children more" (Pinker, p. 452). Our tribal past was full of life and death decisions and trying to save two or three offspring where there are only resources to save one would lead to the death of all. Natural selection selects those who make the

choices that lead to continued life regardless of how we feel about it and we all owe our lives to such “cruel” decisions by our ancestors. Pinker continues:

“Childhood is a minefield, and the older a child gets, the luckier a parent is to have it alive and the more irreplaceable the child is as an expected source of grandchildren, right up to sexual maturity”... “In no human society do parents sacrifice an older child when a younger one is born. In our society, the chance that a parent will kill a child drops steadily with the child’s age, especially during the vulnerable first year.” (Pinker, p. 452)

Due to similar reasoning we care more about our kids than other people’s. We are descendants of this “selfish-parent” lineage. Reality easily verifies this simple evolutionary insight; stepparents are statistically much more likely to kill a young child than biological parents.

Why does altruism exist?

Finally some nicer news, if the previous evolutionary speculations have depressed the reader a bit things are going to get much better. So far the example scenarios I have discussed have all involved books/genomes competing against each other for resources but there are many animals like human beings who live in groups and perform extreme acts of kindness and altruism. I already showed how a population of pure altruists becomes a population of suckers for individuals whose genes describe less altruistic and more selfish behavior, yet we know sharing and altruism exists and is very common in many social animals like ourselves.

As a member of a group the individual has many advantages. Consider fighting between groups. When groups fight, a group made up of entirely selfish individuals will not really fight as a group, it might disperse leaving behind unfortunate members to be easily killed in several many vs. one scenarios. When it comes to fighting between groups, the more altruistic the group’s members are, the stronger the group will be and so will each member’s chances of survival. Sharing is another major benefit to groups, imagine a group of 10 people where one member makes a kill but he can only eat 10% of the meal because it is too big and the remaining 90% will rot before it can be eaten. The successful hunter loses nothing by giving away the remaining 90% of his kill and the group as a whole gains one whole meal. In this scenario each hunter will only have to kill an animal once every ten days and it would only take ten kills to feed the entire group during this time. If they didn’t share, each member of the group would have to kill an animal each of the ten days for a total of 100 animals killed. Feeding all ten people acting as a group would require a small area large enough to provide 10 kills as opposed to an area ten times as large needed to provide 100 kills if the people do not share. So given these benefits one can see how natural selection inadvertently selected for social traits and ended up creating social animals. But how did altruistic behavior come about?

Imagine a genome, let’s say some monkey-like animal, has a mutation that leads to its offspring having more altruistic tendencies who will perhaps go berserk in suicidal attacks during fights to protect the members of their family or group *who they share genes with*. Let’s assume that a few generations go by and there are about 5 of these altruists in a given population. Next, some

predator attacks the group, but thanks to the extra fierce defense provided by the altruists who gave up their lives, more monkeys were able to survive than would have otherwise been the case. In this scenario, even though genetic material that led to the altruistic behavior ceased to exist with the death of some of the altruists, other copies of the same altruism inducing genes managed to survive in other hosts, in the related family/group members who also happen to have such genes.

One has to keep in mind that genes are repeated in many hosts in the population, so a gene that helps induce its host to 'fight to the death' or do other altruistic things, even if that host and that particular lineage that contains one particular copy of the altruistic gene dies, by inadvertently helping other members survive, the gene will inevitably become more numerous throughout the population of the surviving genomes/hosts.

From this point on I might refer to traits/genes/sentences as being good for the group but it should always be understood that as far as evolution is concerned there is no such thing as "good for the group", there is only good or helpful to the continued copying of genes. And once again, at the most fundamental of levels, there is only natural selection selecting whatever leads to a more powerful order.

We could say that genes have two main ways of inadvertently finding themselves copied into the next generation. There are some genes like those that lead to a more selfish behavior, which find themselves into future generations by directly increasing the chances that the host they reside in is successful in reproduction and therefore copying the genes into the future generation. The other way is for some genes to inadvertently lead the host to act in an altruistic way that might help the group at the expense of itself, which although it will not lead to the direct copying of these genes via the reproduction of this particular host, it will inadvertently aid the copying of the same genes that contain the same knowledge by increasing the chances that other hosts that contain the same gene have a better chance of reproduction.

What are some of the genes that we can expect social animals like human beings and our close cousins like chimpanzees, bonobos and other apes to have? We already know that we have genes that help make us selfish and competitive with others, but at the same time we have genes that aid in cooperative and altruistic tendencies. If we have genes that help make us altruists, we also have to have genes that help prevent us from becoming suckers and being taken advantage of by others, and if there are going to be altruists around, our genes would have been more successful at making copies if they took advantage of and tried to make suckers out of altruists. If you are going to make certain sacrifices for others, you better know who you are making these sacrifices for and demand repayment in a future time of need when the tables might be reversed. Humans are experts at cooperating with those who have helped us and at retaliating against those that have harmed us or failed to help in a time of need. Bigger and better brains can remember more, we can identify and remember many people, we can calculate whether we feel they are trustworthy or not. Have they helped us in the past, would they do so in the future, do they have a good reputation? Am I indebted to this person? Is it in my best interest to pay this person back or not? To what effect would paying back a favor improve or harm my reputation? Will there be retaliation?

It takes powerful brains to keep track of all of these things. Genes that helped shape brains be better at doing all of these things would be naturally selected for. Our brains are so big and powerful because they have evolved to cooperate with and compete against other smart big-brained humans, as Matt Ridley mentions:

“The bigger the society in which the individual lives, the bigger its neocortex relative to the rest of the brain. To thrive in a complex society, you need a big brain. To acquire a big brain you need to live in a complex society. Whichever way the logic goes, the correlation is compelling” . . . “Indeed, so tight is the correlation that you can use it to predict the natural group size of a species whose group size is unknown. Human beings, this logic suggests, live in societies 150 strong. Although many towns and cities are bigger than this, the number is in fact about right. It is roughly the number of people in a typical hunter-gatherer band, the number in a typical religious commune, the number in the average address book, the number in an army company, the maximum number employers prefer in an easily run factory. It is, in short, the number of people we each know well” (Ridley, p. 69)

From all of these important social calculations that social animals like ourselves and other apes have been dealing with for millions of years, it could be said that we have evolved biological tendencies for what can best be described as a sense of justice or fairness. As leading primatologist Frans de Wall puts it, “From humble beginnings noble principles arise. It starts with resentment if you get less, then moves to concern about how others will react if you get more, and ends with declaring inequity a bad thing in general.” (De Wall, p. 220)

“declaring inequity a bad thing in general” plays an important role in our politics, our rejection and misunderstanding of Capitalism and our strong susceptibility to socialist/communist/share-the-wealth ideology, but more on how our intuitive susceptibility to equality affects our politics/economics later.

Emotions and Instincts

Feeling good and anger

Why do we feel good in general? What makes us feel good? Our brains have evolved to make us feel good as a way of giving us positive reinforcement when we do things that it considers are good for us. In other words, things that somehow inadvertently ends up helping us spread the genes that make us up. Our genomes have been naturally selected to have genes that induce us to want to do things, and to also make us feel bad when we don't do things that are good for us. Why do we feel hungry? Genes that have the slightest inclination to induce their hosts to eat when energy is low would do better at copying themselves than genes that didn't. So we say that natural selection has selected for the emotion/feeling of hunger. Once one gets the book/genome/sentences analogy one can pretty much make a good educated guess at the evolutionary origins of any kind of emotion.

Sugary foods are pleasurable because of their high energy content. If we did not have genes providing pleasure and therefore giving us more incentive to eat high energy foods we would be at a disadvantage compared

to those that did have such genes. The more important things are to life and the continued generational copying of our genes the more pleasurable we can find them to be. Sex is one of the most important acts of life and it is no surprise most of us find it to be the most pleasurable thing there is. Genes that motivated people to have more sex would lead to those people having more sex and therefore passing on the sex-motivating genes.

Anger is an emotion that causes us to quickly attack or immediately attempt to fix a situation that is not in our best interest. We get angry when things are not going our way. A genome that didn't have genes for describing a brain that got angry and tried to take immediate steps to correct a situation that is not favorable to its host would not be as likely to have its genes copied to the next generation. Genes for anger have been naturally selected for in most animals I can think of. Try to inflict pain on most animals and they will experience anger. It would seem like the reason why when we get angry we have a tendency to be violent and break things is because in our evolutionary past some other animal or person was either attacking us or in the way of our goals and violence was the usual way to solve problems.

Envy/jealousy, egalitarianism, and the biological roots of the anti-capitalist mentality

Envy/jealousy is one of the most important emotions we want to discuss because it plays a key role in understanding our fears and rejection of capitalism/free-market economics, and because it also plays a factor in our social and racial problems.

Keeping up with our neighbors is a successful strategy and something we owe our lives to. In a zero-sum world, where our genes were naturally selected for, if others have more, or better things, that means that you are worse off. If there is a limited amount of food or access to sex available, then the more others have the less there will be available for you. Think about the zero-sum world being the pizza of a fixed size, the more pizza others have, the less there will be for you. Envy is an emotional pain and discomfort that motivates us to change this imbalance to our favor and it is the reason why we instinctively hate the rich or those who are doing better than us, taking a popular expression from the world of Hip-Hop, we are all "player haters" or susceptible to jealousy or the success of others. A genome that does not contain genes whose ultimate outcome can best be described as jealousy/envy would be content to go on about his business with fewer resources than those around him and in the long run it will not be as likely to reproduce and copy its non-envious-genes as other genomes that did have envy inducing genes.

Our tribal evolutionary past was one where we were always a few months away from potentially violent physical confrontations, starvation, and death. Life revolved around few important things like food, safety and access to sex. Imagine being in your small tribe and someone has lots of food they don't want to share and you are hungry, a situation that has played itself in our evolutionary past millions of times. You can either A) go hungry and on a risky hunt or B) find a way to get this guy's food. Option A puts you closer to death while leaving him better off, he also has food he can use to offer the ladies and increase his chances for reproduction compared to yours. He can also comfortably feed his children for several days while yours go hungrier and one

step closer to death, making it even more likely that his genes/sentences make it on to the next generation as opposed to yours. Option B not only increases your chances of reproduction by not going on a risky hunt and avoiding starvation and feeding your children, but also by making it less likely that someone else is in a better position to succeed compared to you.

When someone is doing substantially better off than the average person, the average person also knows that there are others who could benefit from taking from the wealthy which makes it easy to find cooperators to gang up on the wealthy. Have you ever been in a crowded elevator carrying a couple of pizzas or in a similar situation? Don't you feel a sort of embarrassment for not sharing? You want to hide or not be noticed, you might feel the urge to share some of it, you might feel another important emotion, *shame*. If you are not the one with the food don't you feel a little envy? Doesn't your mind immediately crave a little of whatever this person has? This comes very naturally to us, if it does not happen to you then congratulations, you have been raised to live in modern society very well. Only thanks to our cultural brainwashing, which is very important and we will discuss shortly, and the additional power and flexibility of our brains do such emotions seldom result in violence. The emotions are a result of our powerful brains and their ability to predict the feelings of others. If you have the additional food, you know what the others are thinking because your brain is one of the world's most powerful computers, powerful enough to put yourself in their shoes and imagine what the best course of action for them will be. You know that from their perspective, pressuring you to share or forcibly taking the food from you is their best strategy. This is why we feel like we want to hide and not be seen, just imagine what it would feel like eating a lavish meal in the middle of a famine in some third world country. Actually, this is something that we might enjoy under certain circumstances, we enjoy showing off our wealth and power, but if you do not have such power, and those hungry praying eyes could gang up on you, then the pressure to share, the *shame*, will be what you are more likely to feel.

The bigger the difference in wealth between the haves and the have-nots in our tribal past, the bigger the number of have-nots there are compared to the haves and the more incentive there was for more members of the group to pressure the wealthy. Differences in wealth, whether it be food, political power, access to sex or whatever else happens to be a valuable resource in survival, motivate the one who has the additional wealth to hoard or keep it from the group and use it to his benefit. At the same time he has incentive to share it to avoid the envy that can ultimately harm him and also by sharing his additional wealth he contributes to the group and earns future favors in return. It takes powerful brains to figure all of this out and ultimately the pattern of actions that emerges given all the incentives to the members of a tribe is best described as that of egalitarianism, in other words, political, economic, and social equality. Evolutionary psychologists have a concept called 'evolutionary stable strategy' or ESS for short, which is used to describe a pattern of actions or a behavior that is what leads to a stable growth or order. Using this terminology, we would say that egalitarianism is the human evolutionary stable strategy. Egalitarianism is the strategy that led to the most stable and productive social order in our tribal times given our options/brains/environment at the time, and our instincts and the genes that are responsible for them have been naturally selected to play the egalitarianism game. This does not mean that we have genes for egalitarianism. It would

probably be more accurate to say that we have genetic tendencies for absolute power, and that egalitarianism is what results from many people attempting to gain absolute power. But given that we have evolved in this scenario, with everyone seeking and benefiting from absolute power, and having egalitarianism be what sort of emerges from it, we can expect some genetic influence that ultimately helps us play this game.

This instinctual egalitarianism which we have inherited from our tribal past is one of the most important reasons why we find it so easy to intuitively reject/fear capitalism and the large differences in wealth it allows (and needs for proper functioning!), and why it is so easy for most of us to fall victims to ideologies that preach equality and therefore why socialism/communism is especially appealing to most of us and especially the poor. This is why we don't revolt against being taxed to pay for all the government run services like social security, free education, welfare, and pretty much anything that is meant for the "public" or for the group as a whole. All of these things are "public" and funded by taxes because we fear that if it were all privatized there would be people who would not be able to afford them or the services and goods which they could afford would be of very low quality compared to what others could afford. A complicated mixture of incentives, fears, intuitions lead to a certain ideology that points to equality, equality now and equality in the future. It is as if deep down inside we know that even if we are wealthy today, tomorrow the tables might be turned which is something that happened all the time in our tribal past. In our tribal past, perhaps you were the one that got lucky with the hunt today, but you knew that there would be many times where your livelihood will depend on others sharing their food when they hit it big with their hunt and you had no luck at all. If someone asks you for help, saying no means that you have just increased the chances that when you find yourself in a future situation where you might need help you might not get it. In today's world this is unlikely to lead to starvation or death, but in our tribal past where our instincts and genes were naturally selected for, reversal of fortunes happened all the time and egalitarianism was to everyone's advantage in the long run. This might help explain why we often times find it hard to say no to people.

Our egalitarian instincts also show themselves when we ask for help or beg which is also something we did frequently in our tribal past and is also very common in our cousins the chimps and bonobos. We have various subtle messages that we convey with our facial expressions and mannerisms when we beg or ask for help. Sometimes we are nice and humble as if we are saying "please help me in this great time of need, the help you give me means a small loss of comfort to you right now but a great relief for me, and someday I will repay you with an equal boost to your wellbeing". But we are also experts at a different type of begging, a more intimidating type, that says something more along the lines of "if you don't help me now I will make sure not to help you in some future time of need and you better watch your back too, because I can gang up with the other have-nots and take your stuff by force and kill you". We have evolved to be experts at both types of begging because playing such cards in our tribal evolutionary past is what we owe our very lives to.

Let's assume that everyone is very wealthy, that we all have great jobs, that even the lowest paid workers make enough money to easily afford great healthcare and housing and so on, and that since these essential services are so affordable, those who might be disabled and can't work at all can easily find private charity to take care of them. Would we still need all of these "public"

services? Probably not. In such a world everyone would know that if someone couldn't afford things it would be because they simply chose not to work at all and leech off of others which is also very much in our human nature. As previously mentioned, not only are we very nice and altruistic but we are also experts at taking advantage of others when we can get away with it. So in this plentiful fictitious world I think most people, even the most ardent supporters of all the "public" tax-funded services, would agree that there would be no need for them. But then of course once we reached such an amazing level of productivity and well-being there would still be large differences in wealth. Our definition of great healthcare that covered our basic needs would be expanded to the medicine that the richer people could afford. Perhaps by that time we could grow new hearts and vital organs which could easily increase our lifetimes by 30 or 40 years. This would now be a great "injustice" to those who could not afford it, which would trigger envy and egalitarian feelings all over.

These egalitarian instincts which we all possess were vital for our survival in our zero-sum world but as I hope to show when we discuss the evolution of modern society and how the market process works, they are counterproductive and disastrous for everyone in our modern non-zero-sum world. The fundamental difference when it comes to wealth between our tribal man-coordinated world and our modern market process-coordinated one is the following: *in today's non-zero-sum world we are not limited by what nature replenishes, we are limited by our ability to transform matter from states where it is less useful to us to states where it is more useful to us. We are limited by our ability to produce new wealth as opposed to finding, hoarding and defending the comparatively little bit of wealth that nature naturally replenishes.*

If we look at the social order from high above we see that it is like a living thing which at its very core is no different than a bacteria swimming around looking for food, looking for the things it needs to maintain its orderly structure. The social order *is* one gigantic orderly structure constantly maintaining its order/life by transforming natural resources, rocks, minerals, or whatever else it finds useful into additional wealth/resources needed for the continued orderliness of its internal structures, in other words, for the continued survival of the parts that make up the human ant-farm/'social organism', which is us. And by contributing to our continued orderly existence we contribute to the continued orderly existence of the 'social organism'/human ant-farm. This is no different than how heart cells inadvertently help pump blood and by doing so they contribute to the continued maintenance and functioning of the orderly structure that is the body, and in turn the entire body helps nourish its internal structures like its heart cells. Instead of owing our existence to an inevitably competitive and bloody struggle for the acquisition of a limited amount of resources, where those that have a lot of wealth gain it 'at the expense of others' as was the case in our tribal zero-sum world, we are now in a position where we are tremendously better off if we cooperate and allow the social organism, via the market process, to create a much greater amount of wealth and prosperity than we could have ever dreamed of in our zero-sum tribal past. This is a fundamental environmental change, sort of like the one that occurred in Book-World when it stopped raining and the umbrella-like organs were no longer needed and became genetic relics. In this new environment some of the characteristics our genes provide like our propensity for physical violence, our extreme envy and some of our strong egalitarian tendencies and many

others are no longer as useful and can be very detrimental to our continued prosperity. As Hayek mentions with respect to envy:

“Envy and ignorance lead people to regard possessing more than one needs for current consumption as a matter for censure rather than merit. Yet the idea that such capital¹ must be accumulated ‘at the expense of others’ is a throwback to economic views that, however obvious they may seem to some, are actually groundless, and make an accurate understanding of economic development impossible” (Hayek F. A., 1989, p. 124)

Soon we will discuss economics and the workings of the market process in detail and we’ll have a better understanding of how our egalitarian/‘share the wealth’/‘eat the rich’ mentality is counter-productive, but we need to get back to our purely biological discussion.

As recently mentioned, one of the reasons why we have a yearning for equality is because we do not want others to be better off than us. But why stop at the point where we use our envy to bring others down, not only did envy help us fight for an “even playing field”, a genome that has genes for making its host constantly try to do better than those around him and also try to have others be worse off will also be better off. This is why we are instinctively competitive and are prone to often times find pleasure in the misfortunes of others. The Germans actually have a word for this ‘*Schadenfreude*’. Any genes that induce the host to keep himself up to par with those around him, or even better than those around him, is a successful strategy and those genes will be naturally selected for. Again, it is important to realize that the genome doesn’t think, if little by little genes and mutations increase just the slightest tendency for a trait that makes this host more likely to reproduce, these genes will become more prevalent in the population. In the end the genes really describe characteristics and natural selection just inevitably “selects” those characteristics that are successful at keeping the hosts reproducing, of continuing living order, a sort of order-building chain reaction that got started nearly 4 billion years ago.

Envy, jealousy, or a more general sense of egalitarian justice or equality is such a basic and important evolutionary strategy among more intelligent social animals that even dogs appear to possess it as a recent study shows⁵. And perhaps more importantly, other primates also display a certain instinctive sense of justice. For example, in experiments by Frans de Waal and Sarah Brosnan involving capuchin monkeys being rewarded for performing tasks, a monkey would get upset if the other monkey got a better reward, like a tastier grape, instead of the slice of cucumber he got.⁶ “People judge fairness based both on the distribution of gains and on the possible alternatives to a given outcome. Capuchin monkeys, too, seem to measure reward in relative terms, comparing their own rewards with those available, and their own efforts with those of others. They respond negatively to previously acceptable rewards if a partner gets a better deal.” (Brosnan & de Waal)

¹ The word “capital” in this context can be interpreted as being synonymous with “wealth”

Hate, and our love of war

We hate our enemies. If we did not hate our enemies or those who compete with us directly for the things we feel our very life depends on we would allow them to spread and consume more of the resources in the environment that would otherwise be available for us and we would also be more susceptible to their hateful attacks. Books/genomes that had genes that ultimately aided in fermenting this hatred would have had more resources available for their own consumption and therefore they would have been more likely to make copies of their hate inducing genes. We are easily susceptible to being vicious haters and it is in our nature to love violence⁷. As a recent Live Science article aptly titled “Humans Crave Violence Just Like Sex” (Bryner, 2008) discusses, mice have been found to love to fight and gain pleasure in a similar manner to how we love food and sex. When you have evolved in a zero-sum world where other people’s loss is your gain, killing and causing harm to others and therefore increasing the economic pie available to you is just as, if not more important than reproduction itself and therefore natural selection has shaped our nature with the potential to enjoy killing and harming others as much as eating and having sex, and it is the obvious reason why guns and fighting are so appealing to men. “War exposes the capacity for evil that lurks not far below the surface within all of us” writes Chris Hedges in his aptly titled “War Is a Force that Gives Us Meaning”. War is one of the main reasons why we are social to begin with, ganging up on others provides great evolutionary advantages. Killing and raping has probably been the optimal evolutionary strategy. First you increase the economic pie available to your tribe/gene-pool by coordinating a raid and killing other men and children⁸, and then you increase your reproductive success by raping the women and making them your wives. Towards the end of WWII, Russia’s Red Army is estimated to have raped over 2 million German women (Connolly, 2002). As Pinker mentions:

“... men go to war to get or keep women –not necessarily as a conscious goal of the warriors(though often it is exactly that), but as the ultimate payoff that allowed a willingness to fight to evolve. Access to women is the limiting factor on male’s reproductive success. Having two wives can double a man’s children, having three wives can triple it, and so on. The most common spoils of tribal warfare are women. Raiders kill the men, abduct the nubile women, gang-rape them, and allocate them as wives.” (Pinker, 1999, p. 510)

To be successful in war you need a strong sense of unity which translates itself to the strong nationalist/patriotic tendencies we are so susceptible for. Given its importance, war easily fills us with a great sense of purpose. England’s prime minister during WWII and national hero Winston Churchill shows us how inspiring, exciting and purposeful WWI was to him when he mentioned:

“I think a curse should rest on me — because I love this war. I know it’s smashing and shattering the lives of thousands every moment — and yet — I can’t help it — I enjoy every second of it.”

And in another occasion:

“My God! This is living History. Everything we are doing and saying is thrilling... Why I would not be out of this glorious delicious war for anything the world could give me...”

We shouldn't be shocked when men murder and rape, the real miracle that has taken thousands of years of cultural evolution to create(as will be better discussed in later chapters), are the modern Western cultural values we absorb that program us into respecting the rights of all human beings regardless of age, sex, and race.

Compassion

Compassion is one of those emotions/feelings where humans excel at and it might have a lot to do with altruism and building stronger groups. Compassion induces us to help others in need. Although by doing so we might be lowering our state of well-being we might be increasing the well-being and continued copying of our genes which also live in other members of our group, and we are also making an investment in future favors from the people we are helping. In our tribal world where there was no money and there was no such thing as savings, the most common thing that could be traded and stored for the future were favors. It is a common expression to say that we have ‘earned points’ by doing favors. And this is more or less how it worked in our tribal past, favors were the tribal man's money/currency. We are less likely to perform favors for people we know we are never going to meet again. If we are never going to meet them again that means that they are not part of our group which would contribute nothing to the strength and well-being of our group, worse yet, you could be helping someone that belongs to a competing group. If you are not going to see this person again you will never be paid back and this type of charity would put you at a disadvantage compared to those that weren't as charitable. It is in every human being's nature to easily be molded into being charitable. Compassion can be seen as the flip side of envy. If we are rich we enjoy sharing our riches because it buys future favors in return and also appeases possible envy.

Loneliness

Loneliness is another nagging feeling that can only be relieved by joining a social group, or brainwashing ourselves into believing that we belong to a social group. If we never felt lonely and never tried to fit in a larger group we would have been more likely to be loners and be at a disadvantage compared to those that derive the benefits of belonging to a group. Loneliness forces us to look for ways to be accepted in a larger social sphere. And again, perhaps here too there might be a genetic influence for this emotion.

Suicide

This next paragraph on suicide is highly speculative but nonetheless might be insightful.

Genes that somehow induce a person to take his own life when he becomes more of a detriment to the group would have helped the group and therefore the other copies of the “suicidal” genes that exist in other members of the group. Most people who commit suicide feel disconnected from a social

group, if you are not loved or desired by other members of your social circle it might be a signal that you are now a detriment to the group. In our tribal days having to take care of very old, or heavily injured non-self-supporting members of the group would have been a huge disadvantage for survival and something that eventually we all faced in old age. As we got old and less self-reliant we know that we are hurting the chances of our children from continued success the more they have to devote resources to us as opposed to the newer generations. The same applies to being very sick or very injured. Genes that induce their host to take his life when it was no longer useful for the continued copying of younger generation's genes would have led to these genes spread by once again helping the other copies which exist in other members of the group survive. Some of us might end up taking our own life. In our tribal world as we got older or more dependent on the rest, sympathy must ultimately run out or it would surely cripple the group. As sympathy turned into neglect these signals motivate the individual to take his own life. Most people who are depressed and commit suicide do not have a sense of purpose, are lonely or are unappreciated members of a group, and lack a sense of purpose. Although this is highly speculative and I have done little research to support this statement it seems obvious that human beings need a sense of purpose, when we don't it acts as a signal that might trigger the suicidal mechanism launching us into what we commonly refer to as depression and sometimes suicide. Suicide can be seen as natural selection re-inventing apoptosis at the social level.

As will be discussed in later chapters, an understanding of the market process/economics should help provide a new and never-ending sense of purpose that I would like to think might help reduce the number of depressed and suicidal individuals.

The lust for social chaos and calamities

When we find ourselves in deteriorating conditions for which we don't see a way out, we are much more susceptible to agitation and violence. If we once again think about the zero-sum tribal environment, any sort of calamity that brings lots of death and destruction always has an important upside, that the death and carnage increases the economic pie available *to those who survive it*. If you don't like your current odds or how the future looks, any situation that can bring about chaos and change might improve things. I just wanted to briefly mention this because it seems like this simple speculation might be at the root of why we often times like disasters. Hurricanes, tornadoes, earthquakes, wars, no matter how bad the calamity, at times we have a certain craving for them, especially if you are not doing so well. If one is doing well, we don't want change, we want stability, but if things aren't going well we are much more susceptible to chaos and the change it might bring even if it might lead to our death. Again, we want to keep in mind the evolution of altruistic tendencies that make seemingly suicidal actions actually pay off.

Mate selection and showing off

When we reproduce a set of genes from each parent are put together to make the offspring. Both sets of genes are "in the same boat" and their

continued copying in future generations will rest on the ability of this new offspring to grow and reproduce. It could be said that genomes, or life describing genetic material, has been naturally selected to induce their hosts to want to make sure that the other genes that make up the offspring, whose cooperative behavior they will both depend on, are as good as possible. In other words, parents who did not care about the fitness of their mates would have less fit offspring compared to parents who did care about their mate's fitness. The less fit offspring who inherited their parent's lack of concern for who they mated with would be naturally selected against compared to the fitter offspring who inherited their parent's choosier strategy, ultimately leading to the extinction of the aloof strategy and the spread of the choosier strategy.

If being picky about a mate is a successful strategy, and has been naturally selected for, then genes/strategies for showing off good traits are also likely to make it into our nature. Whenever we are better than those around us at something we have a bit of a desire to show off and advertise whatever it is we feel we are superior at. Men want to be bigger and stronger than the next guy, the bigger and more muscular the more likely to succeed in a fight, hunting, or protecting offspring. Men love to win a fight especially if there are others watching. Besides showing off our better traits we also want to differentiate ourselves from the rest to make it easier for others to recognize us and uniquely identify us with superior characteristics.

Love and differences between male and female attitudes towards sex

The root of the differences between the sexes comes down to the differences in sizes between eggs and sperm. It would be helpful to discuss why humans/mammals have two different sexes to begin with instead of just reproducing asexually by simply making identical copies via cloning like bacteria, but we'll just have to do without that discussion and take it for granted that the genetic material of each parent must combine itself with another parent to create a healthier and more competitive embryo/child. With this in mind we continue.

I previously mentioned how a genome is like an architect's blueprint. The architect's blueprint is useless unless there are enough raw materials to implement the design and the same applies to genomes. It is just as important for a new genome to contain the data/genes as it is to have nutrients/materials with which to implement the building/animal.

Let's assume that two newly created copies of genomes(gametes in biospeak(an egg and a sperm are gametes)) find each other but have few nutrients to implement their design. They will grow slowly and be easy prey to those who had plenty of food and were able to grow up quickly. This is a losing evolutionary strategy. Gametes need to find each other and have enough materials to quickly grow and implement their designs that will provide the means to protect themselves and go about doing all the things that need to be done to survive. So how do gametes ensure that when they pair there are enough nutrients with which to grow?

It basically comes down to two mutually exclusive strategies. If you go the route of creating many copies of your genome(many gametes) you have many chances to have one of them find a partner with which to make a new

life, but by providing little food with each copy of your genome(gamete) you have less of a chance to have it grow up compared to those who paired their genomes and have plenty of food. If you go the route of packaging your gametes with lots of food you increase the chances that it can quickly grow to be a healthy and competitive life but you will not be able to make as many copies of your genome as those who were able to make many copies because they packaged each one with less food. So what is the ultimate strategy? From all the possible combinations natural selection selected the following: We'll have two sexes, one's gametes will be numerous and tiny(sperm, designated as male), and its best reproductive strategy will be to pair as many sperm with eggs as possible, while the other sex's gametes will be few, big and nutritious(eggs, female) and its best reproductive strategy will be to pick the best complementary male and then continue to nurse and help the growing embryo as best as possible. This is the strategy that ultimately leads to the highest chance of survival and therefore the one that natural selection selected and inadvertently designed. Since females already go down the path of providing lots of nutrients per egg, natural selection continued to shape the female biology to be nurturing and best suited to healthy growing of the offspring. When it comes to the male, natural selection continued to shape the male to be as good at competing with other males as possible and as good at spreading its tiny sperm to as many females as possible. This lies at the heart of understanding why men just find it so much easier or desirable to screw around than women and why we are better equipped for battle and conflict as opposed to nourishment.

Romantic love is an emotion that seems to motivate us to form a strong bond that will increase the chances of raising healthy offspring. Our tribal past was tough. There was little chance a woman on her own could raise a child, she needed protection and help, she needed a man for more than sperm. A woman only has so many opportunities to have a child, every time she is pregnant a considerable part of her life and resources are devoted to each pregnancy and giving birth is also risky and life threatening, especially in our tribal past. A woman in our tribal past that had sex with men who did not help with the child would have considerably less chances of having her children grow old enough to reproduce and copy her "promiscuous" genes/sentences onto further generations compared to a woman that did get such help from a man and avoided having children she knew she would have to raise on her own and would have a high chance of not surviving into adulthood. We are all descendants of such women, and this is one of the factors why women are more likely to look for that emotional attachment and are not as "loose" as men are. We should also keep in mind the important fact that until very recently in our evolution did human beings learn that sex between two specific individuals would lead to an offspring.

Men on the other hand are descendants of men who tried to have as much sex as possible. Men only lose millions of sperm cells per ejaculation that are constantly being replenished so we are descendants of those who made the most of this. A man might have a wife whose children he helps raise, but any additional sex he can get even if he does not help raise the offspring increases the chances of his genes being copied which provides an advantage compared to those who might just stick to their wives in perfect monogamy. This "cheater" would leave more offspring with his cheating genes and eventually only genomes with the "have as much sex as possible" genes would

remain in the population. Men and women have never been monogamous in a purely biological sense; monogamy is not in our genes. Monogamy is the result of cultural evolution which will be discussed later.

Our strong instinct to form groups

Amongst the many social characteristics of humans, our instinct to belong to and make alliances with groups is very strong and is key to understanding our current troubles. Once animals can cooperate, genes that enable cooperation can become more important than genes that help the animal be better at individual things. Once an animal can cooperate, he now has two ways of being more successful at reproduction, he can out compete others at an individual level, he might be stronger in a fight etc., or he might out-cooperate others in some way. If you can form an alliance with another guy then even if you are weaker than your opponent you can gang up on him with your friend and have a much higher chance of being victorious. When we think of gangsters the leaders are not necessarily the biggest and strongest, they are the best cooperators, the ones that have little by little built alliances based on favors and loyalties earned at the right times.

Social status takes on a new importance that does not exist in non-social animals. A high social status means that you have power that lies outside of your physical means. If you are of high social status you have more people that will come to your aid in a fight and you can also count on their help in your aggressive adventures. If you are a person of low rank, few will come to your aid and few might want to join in an alliance with you. It takes powerful brains to calculate which group to join, who to help, for how long, should I desert and so on. An important part of our intelligence has been shaped by these kinds of decisions. In a world where groups and alliances are competing against each other you better make sure you are part of the successful group which in our tribal past usually meant the larger one, and being alone is always a losing option.

For millions of years from our tribal existence and going farther back to times where we shared common ancestors with current day chimps and bonobos, natural selection has been selecting mutations in our genes that have made us constantly better at forming alliances. If we do not have friends or feel like we do not belong to a larger group we get depressed, and as previously mentioned the feeling of loneliness motivates us to belong to a larger group. Perhaps the perfect place to see this strong instinct to associate with a group can be seen in street gangs.

A kid that grows up in a gang infested part of town faces tough odds if he is a loner, his brain easily figures this out and the natural instinct to join a bigger group leads him to joining a gang. When you are a member of a group the closer the solidarity, the stronger the group is and the more successful it will be, so we have a strong desire to associate and feel as one, this is why tattoos and unique ways of dressing and other ways that help members of a gang feel unified are so common. Group solidarity is very instinctive and attractive to us, especially men who depended on the strength in numbers needed for aggression and defense that can only come from joining a group. One of the important factors that lead to racism is this grouping instinct that we have, brains find it easy to associate with others based on race because

members of the same group in our tribal times would have more in common compared to members of a different group, most importantly, a territory and genes. In our tribal days if someone from another tribe or what you considered outside of your group was in your surroundings, or the area you frequented for gathering and hunting, it could only mean this other person was taking away from resources that would otherwise go to you, so our instincts are to see foreigners and those different from us as enemies and potential threats, or people to plunder and women to abduct. It is only until recently that all human beings interact with each other in positive ways for all by taking part in the global marketplace, and understanding the market process should further help overcome our instinctual us vs. them mentality that easily arises when dealing with those who might appear to be noticeably different from us. The obvious thing is that our brains and instincts are not politically correct, they go by associations based on likeness, and it is very easy for us to instinctively segregate ourselves by race. Street gangs in multi-racial cities are predominantly based on race.

Group formation is a dynamic process that is constantly happening. Our instinct to join groups evolved because of the advantages it gave us over being loners and because of the necessity to compete against other alliances. If we are all part of the same group and I get no benefit over you because you too are a member of this all-encompassing group, then there is little benefit to being a member of the group at all. In a group this large the formation of a small group within the larger group would now be advantageous to the members of this small subgroup. Local kids from the neighborhood form neighborhood gangs that compete with other neighborhoods, but within this neighborhood gang there can be smaller groups, perhaps a group of 4 or 5 friends from the same building. And even between this smaller group there might be a stronger bond between two best friends. If we live in the same territory as others we have a strong incentive to make an alliance and see each other as cooperators against outsiders because we need to protect the environment that provides for our livelihood. You might dislike your neighbor but you will fight amongst him the invading enemy.

Another important aspect of belonging to a group is how it alters our incentives and behaviors. When a brain finds itself as part of a crowd it gains lots of power and it changes the risks associated with certain actions. As members of a crowd we can be much more brutal and ignore the moral brainwashing that helps us behave in a more civilized manner and give in to our more primal violent instincts. Men who would make nice guys in civilian life often go on to take part in rape, murder, and all kinds of atrocities common in war. This is due to the power found in numbers and to the gain of anonymity that makes the individual have little chance of ever having to face retaliation from his actions in the future. Crowds cannot reason like individual people can, the bigger the crowd the simpler the concepts that can be successfully absorbed by all the brains that can lead to the kind of collective action that gives a crowd an advantage. Just knowing that the local sports team is from our town/territory is enough to awake that 'groupish' instinct that motivates us to belong to the fan base as if we were getting ready to protect our turf or expand it.

Common riots in soccer games have their roots in our small tribe groupish instincts. Being part of a large group feels good. If there is a problem

that concerns you as well as everyone else you know that you will not be alone in having to deal with it. The school-of-fish mentality where we just follow along with what the crowd or masses are doing comes naturally to us.

Patriotism is an outgrowth of our groupish instincts. We are suckers for patriotism, and in our zero-sum world of inevitable conflict it paid off to be patriotic but in a world where human beings can understand human nature and how the market process works to quickly create unlimited amounts of wealth and technology, patriotism becomes one of the greatest evils. In reality there are only human beings at different coordinates moving around doing our ant-like thing, this is something that can be easily understood when we look at the social order from above, from space, with no awareness of our immigration laws and political boundaries. But our groupish instincts are very strong and we see each other as belonging to different countries and so on, competing for what seems like a limited amount of resources like jobs, energy, space, etc. All of these things are vestiges of our tribal ideologies that greatly harm our socioeconomic progress as I hope to show in more detail later on. The bottom line is that we are instinctively very susceptible to segregating ourselves into groups, and the root of this instinct lays in the advantages it brought us in our constant need/desire to protect/expand our turf/resources/access/women in a zero-sum world where we simply had no choice but to be violent towards others.

Growing up and personality

Our minds are obviously very flexible. As a child grows his brain is molded by its interaction with the surrounding environment. One of the very first things we do is to get our parent's attention by crying. Crying is something we can say we have specific genes for as opposed to driving a car which is something we learn. A baby is helpless and can only survive with the care of adults so crying is a must. Although by the time we are adults our brains have been rewired to know that crying won't solve our problems, who cares, the instincts and desires are there regardless of how clearly we can rationalize the fact that crying will not solve our problems so we still cry when we feel helpless even though our parents can't help us.⁹

One of the many concepts that our brains begin to develop and never really ends is that of the "self". Our parents begin molding this "self" by looking at us and referring to us by name. Another concept that is very important, especially as it relates to economics, is the concept of private property. Early on we spend lots of time teaching our children that some things are theirs and others are not. Little children do not steal; they just take things, their developing brains figure out that it is better to have that which you desire than to not have it, so just taking things is a "no-brainer". An infant might be holding some toy which is then taken away by another infant and as far as he is concerned the object just left, he might not have a concept of a self or that the object he was holding was his, or that the other kid is even a human being, to his developing brain the object just left and it is moving away with a large blob-like creature. If he had some interest in this object and he feels his happiness has been diminished by the fact that the object is no longer under his control he might get mad, angry, or whatever exactly happens in this young

undeveloped brain and at this stage in his development most discomforts lead to crying, the ultimate problem solver.

As a child grows up positive reinforcement shapes his behavior. As previously mentioned, it is a very easy calculation for a child's brain to commit theft but this sort of anti-social behavior is either corrected by our parents or a good hair-pull by another child, and as we grow up our brains get better at satisfying their desires in a way that is harmonious with the desires of others. For most of us, parents and family were a large part of our environment when growing up and we molded ourselves to be successful in this home environment. Good little boys and girls grow up wanting to please their parents and feel bad when they let their parents down because our parents are a key source of positive and negative reinforcement. But as we get older and realize that there is another world outside of the home that is bigger, and that this environment is the one where we will really live our lives and need to succeed in, it becomes more important for the individual to adapt to and succeed in this environment. This is why the pressure to fit in with our peers outside of home is so strong, a teenager is not going to grow up to marry his sister or mother, he needs to adapt to the larger world outside of the home. Pleasing your parents might make them happy but the character a child develops that pleases the family might be a character that no one outside the home likes.

How much of our personality is in our genes and how much of it is shaped by our environment? Some of us have grown up being shy only to lose a few pounds and get a great boob job later in life and completely turn things around. Studies show that taller men tend to be more assertive, not necessarily because assertiveness goes with being tall but because the brain that is inside a taller person adjusts the personality of the person it controls based on this advantage. Even though brains might work very similarly, as in the case of identical twins, the environment can have a great impact in how brains restructure themselves based on the environment and incentives they encounter and this can lead to substantial differences. On February 15th 2006 Larry King had on his show a set of identical twins where one of the girls became a lesbian and later underwent sex reassignment surgery to become a man. Obviously our brains are very flexible. We will revisit the importance of this flexibility and growing up again from a different angle when we discuss cultural evolution later on.

Monkey see, monkey do: the importance of mimicking/imitation.

Monkey see, monkey do. Anyone who has a simple understanding of this popular saying has a better grasp of psychology than your average US college graduate in the field, will have no college debt, and will not hamper the lives of children by drugging them. One of the most important characteristics of human beings is our strong instinct to imitate. Our brains are mimicking/imitation machines, constantly figuring out what to imitate and then manipulating the body it controls to imitate as good as it can. Unlike snakes or frogs and many other solitary animals that are born with all the knowledge they need to survive, human beings have to learn to live in their

environments. We have to learn whatever language we speak, the customs and moral values that give society order, how we build our homes, how we go about hunting, what foods are ok to eat, and what kinds of looks or expressions to make at the appropriate times and a whole lot more. If you mimic the behavior of that which is successful you have a higher chance of being successful too. In our tribal days little kids probably emulated the hunting techniques or skills of those in the tribe that were the best just like today we want to emulate the best athletes and musicians. We stand in the batter's box and emulate the swings of our favorite baseball players. Many in my generation spent countless hours imagining we were Michael Jordan and those who follow the sport today can see flashes of Jordan in many of today's basketball players. It comes very natural to kids to fool themselves into believing that they are superheroes or fierce animals. All this comes very naturally to us because at the very core we are imitators.

When a brain sees a rap/hip-hop video it sees a very successful person. The rapper is confident and showing off, he is displaying success with women, power and status by having the expensive cars and jewelry, which are two popular symbols which at a previous time the brain already associated with wealth and success. He is also in front of a crowd of people who are united showing that this person has succeeded in the many things a man has to do to become a leader and has additional power because he has a group that stands behind him. The brain sees this and associates the mannerisms, the way of speech, the look, and other characteristics of this person with success and tries to mold itself to be more like it and it also looks for these traits it considers to be superior in others. As the brain does this it is defining what it considers "cool". As the mind assimilates the culture it gets the benefit of knowing it is more like that which is successful, in other words it sees itself as cool, it gains confidence and the many benefits that flow from it. When we get dressed up and look in the mirror before going out with friends our brain is comparing our look with what its idea of cool is. This is how Hip-Hop and all other social trends and mannerisms spread. But much more on Hip-Hop and culture in a later chapter.

Dancing is a great place to understand the importance of mimicking and learn about how the brain works. Few things are as attractive as seeing someone dance well. When people dance they are usually happy, so that is one association with desirable qualities, dancing involves a certain level of physical fitness which is better attained by youth which is a trait we also have an easy time finding desirable. Dancing is full of sexual overtones which is also associated with something good and desirable, it is also a social group activity which gives us additional positive reinforcement because we instinctively gain more power/comfort from being members of a group.

Our tribal ancestors lived in a spirit-filled world. Stereotypical scenes of people dancing around some fire come to mind, dressed up like the powerful animals we wanted to emulate, always trying to be like and mimic that which we consider to be great. Not only do we want to mimic that which is great, we want to show off and display our superior fitness, beauty, skill, etc. to stand out from others too. Dancing seems to have grown from these around-the-fire stereotypical mimicking sessions.

So without going into too much detail we can just see how much symbolism that can be associated with desirable qualities is happening while

dancing and why our brains induce us to sort of want to be a part of it. We want to mimic that which our minds previously associated with success and that is what makes us feel like we want to be out there as the dance floor is 'calling'.

So Michael is going to the club tonight, he already spent some time looking for an outfit that he feels looks good on him. What does it really mean for the outfit to look good on him? That somehow to his brain, his body with that outfit looks like or resembles some previous cultural symbolism that is associated with some success. So Michael feels like he is looking good with his new outfit, he likes the song that is being played, his friends are on the dance floor and joining them also has that "I am part of a group" positive reinforcement aspect to it as well. We find it easier to go out with friends than by ourselves because we get an additional boost of confidence from the fact that we are members of a group, we belong somewhere, if a group has accepted us, it is because we have value, whatever traits apply to them, apply to us by association, etc. Michael also wants his friends to be cool, that is, they too have been successful at imitating whatever trends/fashions/characteristics are associated with success because he wants to be associated with success. Michael eagerly hits the dance floor and his amazing human brain starts running on all cylinders. Based on dance moves he has seen in the past his brain induces him to mimic them. As he does so his brain recognizes that he is mimicking this process well so it rewards him with happiness inducing chemicals. Michael is cool too, he is like that which is successful, whatever those people have that has them dancing and being successful in a certain way, he has it as well, and that leads to happiness and confidence. All the great symbolism that is attached to dancing is a part of him, he absorbs it, and exude it as well.

Dancing/partying is a social activity; it only takes place if there are other people to mimic or with the expectation that others are or will be watching. There is nothing inherently productive about making certain movements that have nothing to do with increasing your food supply or killing others to increase the economic pie available to you, it is purely a sort of multi-brained mimicking session.

Things might also not go so well at the party. Michael might not be looking very good these days. Based on previous mannerisms and cultural symbolism that his brain has associated with success in the past it determines that the body it controls does not look like that which matches its previously molded idea of success. Michael has less incentive to go out dancing that night but he did because a new friend from work in the new city he moved to has invited him. The type of music is something he has never danced to so his brain is not very confident about this whole adventure. Michael is about to be placed in a situation in which there is a good chance he will not mimic or blend in a symbolism that other minds associate with success. Michael hits the dance floor sort of shy with a little bit of fear, he tries to pick up some beat and based on how others dance he tries to mimic but his brain is in a state of deadlock because it is concerned about all the eyes that are on him. This state of deadlock leads to uncoordinated movements, so more eyes are on him and his brain simply cannot coordinate all the various systems that are competing inside of it. Michael has "stage fright" on the dance floor. Next he tells his friend he needs a drink. Alcohol then affects his brain in such a way as to slow

down or dampen the sort of higher brain functions which were keenly aware of the eyes that were on him and was frantically flooding his brain with many possible courses of action to take. By sort of dampening the effects of this advanced part of his brain Michael's wishful thinking and more primordial parts of his brain get to be more influential. Michael's reasonable concern sort of gives way to wishful thinking and confidence, his brain is more relaxed and at ease and better able to just go with the flow which is precisely what allowing his mind to pick up on its surroundings and mimic is all about. Michael has a buzz, he hits the dance floor again, this time he is not as nervous, he is less aware of any eyes being upon him, this relaxed state is no longer as chaotic as it was before. Free of so many concerns the mimicking happened smoothly, Michael got it, he mimicked the steps, he are feeling it. In his mind Michael already has a clear picture of what movements are associated with what, and his brain effortlessly plays those very same moves it previously saw, but this time it plays them with his body. "Thank God for alcohol and drugs!" Michael says.

This process of imitation that happens for the most part subconsciously is so good that it is an important factor in shaping the way we smile, our facial expressions, and so much more. For example, even the way we act when we are drunk is learned or imitated behavior. As MacAndrew and Edgerton point out in their 1969 book "Drunken Comportment" after doing cross-cultural studies: "drunken comportment is essentially a *learned* affair. . . The way people comport themselves when drunk is determined not by alcohol's toxic assault upon the seat of moral judgment, conscience, or the like, but by what their society makes of and imparts in them concerning the state of drunkenness." (MacAndrew & Edgerton, 1969)

¹ This overview of the origin of life is a popular hypothesis. In more specific terms, the early self-replicating molecule is believed to be a molecule similar to RNA which can be seen as a simpler or more rudimentary version of DNA that still plays a vital role in our biochemistry. For another, perhaps more convincing hypothesis on the origin of life see chapter 6 of Nick Lane's book "Power, Sex, Suicide: Mitochondria and the Meaning of Life"

² See Sean B. Carroll's "The Making of the Fittest: DNA and the Ultimate Forensic Record of Evolution" for a great introduction to genetics and evolution.

³ Nick Lane's book "Power, Sex, Suicide: Mitochondria and the Meaning of Life" provides wonderful and concise explanations for the biology of many of life's most important questions, like why we age and die and the important role that mitochondria (the small organelles that power a cell) have to play.

⁴ This is a gigantic oversimplification. We do not have single genes that make us behave in such a selfish manner. The purpose of this example is to show how genetic elements or tendencies for selfishness, not necessarily specific genes, might arise and ultimately influence in some degree how selfish we might be. How selfishly people act has a lot more to do with their upbringing/environment and circumstances than biology.

⁵ See reference 7 below.

⁶ <http://www.npr.org/templates/story/story.php?storyId=97944783> This story discusses both similar experiments that show how dogs and monkeys seem to have a certain biological predisposition for envy/jealousy.

⁷ For a good overview of the biological roots of violence including parts of the brain that help foster it see chapter 8 titled "Inner Demons" from (Pinker, 2011)

⁸ With respect to infanticide, Matt Ridley, while summarizing some of the work on the subject by scientist Sarah Hrdy, writes:

“In her study of the langurs of Abu in India, Hrdy discovered a grisly fact: The murder of baby monkeys by adult male monkeys was routine. Every time a male takes over a troop of females, he kills all the infants in the group. Exactly the same phenomenon had been discovered in lions a short time later: When a group of brothers wins a pride of females, the first thing they do is slaughter the innocents. In fact, as subsequent research revealed, infanticide by males is common in rodents, carnivores, and primates. Even our closest relatives, the chimpanzees, are guilty... By killing their stepchildren the males would halt the females' milk production and so bring forward the date on which the mother could conceive once more. An alpha male langur or a pair of brother lions has only a short amount of time at the top, and infanticide helps these animals to father the maximum number of offspring during the time” (Ridley, 2003, p. 213)

⁹ Crying is one of our most evolved traits and specially made for highly social species like us, the only ones that cry. It is a way of calling for attention/sympathy/help in an honest way. Think about how hard it is to fake tears. When others around us cry it often puts us in a sympathetic mood, behaviors that help create stronger social bonds thus leading to a stronger group and its evolutionary advantages.

III. Economics and the Market Process

In this chapter we are going to discuss how in just a few thousand years, especially the last twenty-or-so thousand, natural selection has managed to reorder human beings into something greater than the sum of its parts, the social organism. Just like natural selection inadvertently invented 'biological evolution'/genetics which led to biological life/order, natural selection has recently invented another wonderful mechanism for creating order, this time it is social order, order that is made up of human beings and everything that sustains us instead of just cells and biochemistry like it does with biological evolution. This new mechanism is *the market process*. Just like genes, mutations, nerves, hormones, blood, etc., play a key role in coordinating the biological order, things like money, laws, interest rates, the banking and lending industries, stock markets and more play a crucial role in creating the social order and are some of the key mechanisms that make up the workings of the market process. No one knows exactly when natural selection got the basic biological evolutionary system that shapes all life working; we do know that once it got it working it worked beautifully and our planet's biomass quickly grew and diversified to fill all kinds of niches where enough energy and raw materials could be squeezed to sustain life/order. In a similar fashion, prior to natural selection's evolution of the market process, human beings were not much different than herds of wilder beast or groups of monkeys. But once the market process arose, our numbers quickly multiplied from the low millions just a few thousand years ago to the nearly 7 billion we have today. And if we realize what a great hand we have and confidently decide to go all in, our numbers and wellbeing can increase without limit. Many people, especially many who like to label themselves as "environmentalists" are prone to see the rapid growth of mankind as a virulent plague upon the planet, but I hope to show that on the contrary, human beings and the social organism, is natural selection's latest and most wonderful invention.

The reader might be thinking "I can understand natural selection being responsible for the biological order, it is obvious that no human being designed it, but the social order? It is human beings that create banks, money, laws, and all these things, not the same blind selective process that has created the biological order." Wrong, in the introduction we already mentioned how something like language, while being the result of human action was not the result of conscious human planning and design. But enough with the analogies, on to the evolution of the market process and the social organism we go.

The ongoing cycle of production and consumption

In the previous chapter we discussed how all living things are involved in a constant cycle of production and consumption which was needed to maintain homeostasis. All the way down to the most basic chemical reaction in the trillions of cells that keep us alive, energy and specific kinds of matter/molecules are needed to keep the order-building-and-sustaining chain reaction we call life going. A human ant-farm, whether it be a single person one, or the entire global one, is in a constant cycle of production and consumption. The social order is composed of human beings, who

themselves are in a cycle of consumption and production so the entire social order too must be in such a cycle. Using our modern world as example, we can envision matter being dug up from mines, or at times recycled, and through incalculable steps it is transformed into the wealth we consume like energy, cars, planes, food, buildings, etc. This process of taking matter that is in a state that is not useful to us and reordering it into human usable wealth is called production. The process of using up such wealth for our continued existence and growth is called consumption.

As we consume wealth, matter is being transformed from a state that has helped us maintain or expand our life/order to one where it is less useful to us. For example, as a car is produced, matter is reordered to create the car; it is re-ordered in a way that it is useful for us. As we drive the car, the car's order breaks down to the point where the car is no longer as useful. The car's matter still exists, it is just not ordered in a way that does not break down, or is reliable enough for us to use it. The same can be said about food. Farmers use plants to reorder chemicals that were in the ground and repackage/reorder them into meals. The meals are eaten and consumed; they are transformed and eventually no longer useful to us. Services like haircuts are a transformation of matter as well. The hair was removed from your head, this involved a transformation/relocation of matter. A doctor's advice and the medicines he advises us to take are taken with the expectation that the bacteria that might be ailing us are altered in a way that they no longer harm us, again, a transformation of matter has occurred. Any interaction with the world involves the transformation/relocation of matter, and when we do this to improve our lives/order we are involved in production.

Production increases the economic pie or order/life sustaining wealth while consumption reduces it.

Self-sufficient vs. market oriented societies. The division of labor and knowledge and their impact on the growth of the social order.

A long time ago people were more or less self-sufficient like our primate cousins the chimpanzees and bonobos. Life was very simple, we were nomads just living off of whatever nature provided and naturally replenished. At some point, regardless of how we got to it (we'll discuss this later), most societies centered their daily activities based on trade, they became market oriented societies. Assuming people were not using money yet, they had to barter, which means that they would have to trade their goods directly for the things that they wanted. I would go to the market and trade my coconut pastries for other things like blankets, spears, knives, baskets, milk, fish, bows, arrows, or any of the many other things people in the market produced. Why did most societies eventually go from self-sufficient to market oriented societies? Because market oriented societies were more productive and this led to more growth and eventually the overtaking of those other societies that were not market oriented. It could be said that natural selection selected market-oriented social orders over self-sufficient ones, but more on this later.

Let's take a look at why it is that market oriented societies built around trade are more productive than non-market oriented self-sufficient societies.

There are two main benefits that a social order gains from trade and they are the division of labor and knowledge. Each member of a market-oriented society specializes in learning how to produce and going about producing just one or a few goods, which he later uses to trade for all the other types of goods available in the market. The division of labor and knowledge has three main advantages over self-sufficiency.

1. You do not have to waste time switching tasks like you would if you tried to produce every good for yourself. Instead of wasting time switching, you spend that time in the continued production of the one thing you make and therefore this leads to more productivity than would have otherwise existed.

2. By specializing in producing just one thing, you get better, faster, and more efficient at producing this one item and therefore this leads to more productivity than would have otherwise existed.

3. You do not have to waste time learning how to make the various other things that can be produced. You only learn how to make the one or few things you specialize in. Instead of wasting time learning how to make other things, you spend that time in the continued production and betterment of the thing you specialize in and therefore this leads to more productivity than would have otherwise existed.

Point number three is of special importance for the way in which we will continue to learn about economics. There comes a point where a single human brain cannot possibly learn how to make an increasing number of things. A brain can only hold so much information and a human being can only spend so much time learning as opposed to producing the things it needs in order to survive. Imagine a society of 1,000 people where each person specialized in producing one item which he trades for other things in the market, a 1,000 member market oriented society or human ant-farm. When I go to the market I can trade my coconut pastries for any one of the other 999 goods produced. By being able to trade my pastries for them, I can make use of 1,000 different goods and only know how to produce one of them. I do not have to learn anything about basket weaving like where to find the best materials and how to weave them to make a good basket. I do not have to learn how to milk or take care of cows, or how to hunt and skin animals to make fur blankets. I also save everyone in society from having to learn how to safely and effectively gather coconuts, where to find them, and how to make my tasty coconut pastries. If we compare the 1,000 member market-oriented society to the 1,000 member self-sufficient tribal society and picture them as human ant-farms being seen from above we see that the self-sufficient society as a whole has very simple knowledge *repeated* through its 1,000 brains and guided by this simple knowledge people more or less just wake up, gather food, sleep, and repeat. But the market-oriented society has a much more complicated and productive social order. It contains a vastly greater amount of knowledge, the knowledge required to build 1,000 different items, and this knowledge is not repeated in every one of its 1,000 brains, it is efficiently stored in each brain just once, leaving lots of brain power in each person left over to think about other things, like how to improve or create new products.

Technological improvements are mostly just a recombination of previous knowledge. There are only so many ways in which you can combine 5 products or pieces of knowledge to come up with new ones. But 1,000 products provides for many possibilities to combine them to make new products or improve the production of existing ones, in other words, to create new knowledge. For example, I used to get my coconuts by climbing a tree, using a sharp rock to cut them loose from the tree, and then I would make several trips to my house carrying as many coconuts as I could with my hands, about 5. Based on the knowledge that existed in my brain, this was the best way I knew how to go about getting coconuts. Human brains are always thinking of ways of being more productive. We are always trying to make our lives easier and this means finding new ways to do our tasks in ways that save us time and effort. Ways that produce more while consuming less. This allows us to have more wealth with which to feed a growing population and we are obviously the descendants of these hard working apes.

One day while walking by the market I saw a guy selling baskets, he was showing off how strong they were by filling them up with rocks and lifting them. I immediately realized that I could increase my productivity by using the baskets to carry more coconuts per trip to my house. I also saw another vendor selling very sharp stone knives, he was demonstrating their sharpness by showing how easily his knives could cut through small thin branches. I also realized how much faster I would be able to cut the coconuts loose from the trees and process them afterwards by using the better knives. Luckily both vendors were interested in my coconut pastries; we came to a mutually beneficial arrangement and made our trade. Thanks to my new knife and basket I went from producing 6 of my coconut pastries per day to 8. Since I produced more, now I had more to offer others in the market in exchange for their goods, I was able to afford more stuff and happier because of it. At a very fundamental level, the total amount of human usable wealth that is being created per day has increased by 2 coconut pastries.

Now let's examine what has happened in terms of the human ant-farm, its arrangement and the distribution of knowledge. Thanks to the already existing division of labor and knowledge that allowed our society to have 1,000 people each specializing and knowing how to produce one type of good, I was able to find a new way of combining goods based on existing knowledge (knife and basket) to come up with new knowledge. The new knowledge is not a new product in this example; it is a new and better way of going about producing an existing one, my coconut pastries. This new knowledge leads to a different arrangement of the human ant-farm. If we zoom into my section of the human ant-farm, I move differently, use my hands differently by using the new knife, I make less trips carrying coconuts back to my house by using my new basket. My old knowledge, which led to a certain sequence of actions on my part, has been replaced by new knowledge which now leads to a more productive sequence of actions. The human ant-farm has transformed itself from a less productive state to a more productive one. The order in which the ants moved has been altered to be a more efficient one. The pattern of knowledge that existed in its brains has been altered for the better. Knowledge of basket and knife use was now incorporated into my brain.

Market oriented societies as supercomputers

In a market oriented society the entire human ant-farm becomes a supercomputer, constantly discovering new knowledge and restructuring itself in increasingly more productive ways. Ways that ultimately manage to transform more inanimate matter into more life and order sustaining wealth. This happens because every brain constantly looks for new knowledge which can guide its actions in more productive ways. The individual brain looks in the market-place for products or things or ideas that it can use to come up with more productive ways of producing its product/enhancement or new product, in other words, discovering new, more efficient knowledge to replace less efficient one like I did when I realized I could use a knife and basket to increase my productivity and therefore my own little ant-like behavior. When a person discovers new knowledge it can have two effects on the larger social organism, it can introduce a completely new product, which all the other brains in society can now use in their own calculations of how to go about improving their productive processes, or it can simply find a way of increasing the production of its current product, which simply increases its supply, making it more affordable, which can once again lead to new knowledge. For example, laptop computers now cost about \$400, if new knowledge leads to a more efficient way of producing them so that they cost \$10, this fact enters the brains of millions of people who can use \$10 laptops to greatly increase their own productivity and therefore the further rearrangement of the human ant-farm in ever more efficient and productive ways.

The material progress of mankind is the result of the continued increase in productivity of the human ant-farm. This means that the human ant-farm goes from one state where its ants are ordered doing things one way to another state where the ants act in a more productive way. And if the human ants are moving in a more productive way it is because they have discovered new and more productive knowledge or ways to go about doing things. There are two main factors that lead to the discovery of new productive knowledge, one is the discovery of new products or services, like the knife and basket which helped me come up with a superior way of going about my production of coconut pastries. And the second is the continued reduction in costs associated with the production of these products or services, like how the reduction of cost of computers helped give rise to the Internet and everything that flows from it. These two factors are what constantly allow brains to recombine existing goods and services into more productive ways of acting, and therefore giving the human ant-farm its increasingly more prosperous and efficient structure, a structure that is constantly becoming better and better at transforming matter into human usable wealth which allows our populations to continue to grow.

As the process described above continues, a complex web of interdependence of knowledge emerges. For example, the knowledge I used to gather my coconuts was very simple, find a sharp rock to cut coconuts lose from the tree, learn how to climb trees, learn how to carry as many coconuts as possible with my arms back to my house, my coconut pastries recipe. Since my new production process involves using the new stone knife and basket, it now makes use of the knowledge that went into the production of such goods, like where to find the best materials to build the basket, how to weave it, what kinds of rocks make the best knives, where to find them, etc. When I use the

knife or basket I am a benefactor of the knowledge that went into creating them yet I do not have to know anything about this, I only have to know how to use these products to my advantage. A one hundred person market oriented society might be simple enough so that one brain can trace all the knowledge that goes into the production of the average item produced. But in a modern society like today's USA it is impossible to trace and understand all the knowledge that goes into the making of your average item. A bag of chips is made up of a plastic bag which came into existence thanks to who knows how many chemical processes and is made of raw materials that had to be mined somewhere and transported using trucks with engines that were made who knows where or how, and that is just the plastic bag.¹

Human action and the quest for increasingly more beneficial states of well-being.

People are always acting in ways that we consider to be in our best interest. We act this way because we have brains. Our brains are constantly learning, calculating, ranking the many possible actions which we can take, and then acting on what it considers to be its best option. Every time we act, we do so to go from a certain state to one that our brains consider to be a more beneficial one. For example, you might be reading a book and then you feel hungry. Your brain was doing something that it considered to be in your best interest, reading the book. There are many other things that you could have been doing instead of reading the book, but your brain has something like the Action Rank System already discussed that constantly ranks all the possible courses of action that you could take, ranks them in an order that reflects how beneficial they are to you and then causes you to act out the course of action it calculated was the best one. So for a while you read, but now the state of the world has changed, the brain is receiving a signal which tells it you are low on energy, it takes this signal into consideration and calculates that you would be in a better state if you were fed so it guides your actions as you prepare yourself a meal. You acted to go from one state, the hungry state, to a more beneficial state, the full-and-no-longer-hungry state. The same thing happens when you change the channel on your TV. Whatever is being shown on the current channel is not as interesting or desirable as what you think might be on some other channel. You want the world to be in a different state, one which you feel will be more favorable to your needs or desires so you act to get to this state and press the button in the remote control to get you there. The instant you press the button and the TV changes you have reached the state you desired, a state your brain felt was a better one than the one you were in just a second ago. Once you get to the new channel, the state of the world has changed and your brain reexamines it. It turns out that the new channel you entered is not as entertaining as the one you were watching before. Once again you find yourself wanting to go from one state to a more favorable one so you act, you change the channel back to the one you were watching originally and once again your brain will examine your current state and act based on its perceived well-being and possible courses of action to increase it. So every action takes us from a less favorable to a more favorable state. Life is very much about acting, constantly using our knowledge of the world to help us act in ways that will take us from less favorable to more favorable states.

The value of goods. Carl Menger's Subjective Theory of Value

Where do goods get their value from? Value is a concept that only exists in human brains. If everyone died all of a sudden things would have no value. How valuable things are to a human brain depends on each individual brain and how useful a role the item being 'valued' plays in the brain's plans of action. The value of something can be determined by what a brain is willing to do in order to obtain it. In an advanced market-oriented society like ours the value of things is best determined by how much money we are willing to trade for it, and how much money we are willing to trade for something depends on how useful the trade will be to the person making it. If I am dying of thirst in a desert and a cup of water can keep me alive for the next mile I need to travel to reach a safe place with water, I would be willing to trade a lot for this water; I would value it more than some precious diamonds I might be carrying in my pocket. If I am safe in a major city where there is plenty of water I would value the diamonds much more than the water, not because I have any use for them personally, but because I know I can trade them for other things that I really want, like money which I can then use to act in ways that will greatly increase my state of well-being. The two situations were different and I valued the water and diamonds according to how much each would increase my well-being, the value of the water and the diamonds was reflected in my ultimate use for them as means to achieve my ends in the respective situations. People who grow up in modern market oriented societies have a concept of a "market value", which is more or less what you can expect an item to sell/trade for.

What we have just discussed with respect to the value of goods is commonly referred to as the "Subjective Theory of Value" often credited to Austrian economist Carl Menger. Subjective because it depends on the unique viewpoint of individual human beings, as opposed to something that is objective where the value, or whatever is being evaluated/measured, is fixed regardless of the people doing the evaluation or measuring. For example, a pound of butter weighs a pound regardless of who is doing the measuring or how they feel about it, but the "value" of a pound of butter is unique to each individual and how much he is willing to trade for it.

The importance of trading

Trading is an action just like any other and given that human beings only act to go from a less favorable state to a more favorable one trading is something that benefits both parties involved in the trade. If both parties didn't benefit they would not have traded. Trades only occur when both parties go from a less favorable to a more favorable state according to their respective brains. When I buy a hamburger from a fast food restaurant for two dollars I value the hamburger more than the two dollars I give up and the restaurant values my two dollars more than the hamburger it sells me. Both of us have gone from a less favorable state to a more favorable one from our own viewpoints. After I eat the hamburger I could spend another two dollars for another hamburger but my brain no longer values the hamburger more than my two dollars, probably because I am no longer hungry and my brain calculates that the two dollars could be used at a later time to act in a more

favorable way.

Let's go over a cute example. Imagine a very small human ant-farm, a 5th grade classroom where I give each student a toy at random². Some of the girls get miniature soldiers and tanks while some of the boys end up with dolls and hair adornments. First I allow them to trade their toys with those who are sitting immediately next to them, we'll call this restricted trade. Some trade. When I first gave them their toys, all of them were at a certain level of well-being, those who traded did so because they valued the toys they were giving up less than the ones they were getting in exchange. After the trading, the small 5th grade human ant-farm's structure was changed and went from a less beneficial to a more beneficial state. More kids were happier, toys moved around. Next I allow them all to trade freely with anyone in the whole classroom; we'll call this free trade. Previously they could only trade with their immediate neighbor, there were only so many opportunities for trade and therefore only so many paths to increased well-being. Allowing anyone to trade with anyone else in the whole classroom greatly increased the opportunities for trade and therefore the opportunities to go from a less to a more beneficial state. Lots of trading happened. The mini human ant-farm restructured itself into an even more beneficial state where even more people were better off than when they started. Are there some kids who did not like the toys they initially got and no one wanted to trade with? Probably, those kids simply remained in their current state of well-being, but at least their state of well-being did not go down (increased jealousy and envy due to the increased happiness of others should not take away from the important point being made in this example). The trading allowed the human ant-farm to go from a certain state to a more beneficial one and never to a worse state. Free trade leads to progress. Anything that increases or speeds up our ability to trade increases the rate at which humanity progresses. Anything that slows down or prevents free trade slows down or reverses human progress.

It is important and somewhat startling to realize that the entire social order is coordinated by the billions of trades that people are constantly making. Stop right now and fully realize this. As people act and trade with each other, every trade in society increases the well-being of those involved in the trading. And since all human beings are trading all the time, we are constantly going from less to more beneficial states; this is the essence of mankind's progress. As French Enlightenment philosopher Antoine Louis Claude Destutt de Tracy put it "the whole of society is but a continual succession of exchanges, we are all more or less commercial." (Tracy, p. 79)

For most of us, the most important thing we trade is ourselves, our time and labor. People who don't understand how free-trade works can easily have thoughts along the lines of "I don't make anything, I've got nothing to trade, how can we call this a free-trade based economy when lots of people don't make anything to trade with?", well fortunately our hours of labor are just as important as physical things when it comes to trading and this is one of the first and most important things one needs to realize. In a tribal, simpler, more self-sufficient world it was easy to see simple trading and production of specific goods by one or a few individuals, but in the modern world most of us combine our labor with tens, thousands, or millions of people via companies to create products/services in great quantities that serve tens, thousands, or millions of people. Whether making a pie, or a car, or anything

else, labor is an ingredient as important and no different than the physical stuff that goes into making tangible products. All human usable wealth that is not directly plucked from the earth involves a combination of two key ingredients, 'natural resources'/matter and labor which helps transform this matter into human usable wealth. Next, a few examples...

Daniel is getting up in the morning to go to work, his calculating brain constantly ranks all the possible things he could do with his time, and given all the options available to him he decides that the best thing to do is to trade his time and labor with his employer in order to get the money he needs to trade for other things like food, etc. Daniel could decide not to work and live off his savings or starve but he does not want to starve and he wants his savings for a down payment on a home which is an important step towards the achievement of other future goals/plans. When Daniel trades his time and labor for money he is trading something which according to his brain is of smaller value for something of higher value. Daniel values his time and labor and all the other things he could be doing if he weren't working less than the money he gets from his employer. If this were not the case, Daniel would not work. From Daniel's perspective the trade has taken him from a less favorable state to a more favorable one, a state one step closer to achieving his goals of feeding himself and buying a home. To Daniel's employer, Daniel's labor is more valuable than the money they exchange for it. Daniel's employer also goes from a less favorable to a more favorable state. By trading with Daniel, his employer will be one step closer to the successful execution of its plans whatever they might be.

Are all trades really in the best interest of both parties? Not necessarily, we often times make mistakes and buy the wrong product or service. Trading is something we do all the time, it is an action like any other and our brains are constantly making mistakes and learning from them. If there was a supreme being looking down from the heavens and knew the best course of action to take for every single human being in the social order and could constantly tell us how to act in the most efficient way given our desires, then the social order would continuously restructure itself as perfectly as possible. But we don't have a direct line to this supreme being regardless of whether one believes it exists or not. We restructure our actions constantly going from less favorable states to more favorable ones by interacting with the world via trading. This is how market oriented human ant-farms work. If other human ant-farms which did not work based on the principle of free-trade amongst free individuals were a better system, they would have grown and prospered, people would have wanted to move to them and join those human ant-farms, but this has not happened. In reality, people all over the world go through great lengths to move to capitalist societies where free-trade has created the most productive human ant-farms ever; more on this later when we discuss Socialism and government.

Value, ownership and private property

Another factor that is of crucial importance in the calculations that a mind makes when assessing the value of something, is whether the thing being evaluated can be safely used as part of future plans of action. What does it really mean to own an object? It means that a brain can use it as an ingredient in its plans of action. If you do not own things you cannot make plans that

make use of them, or the plans that you do make have to be considerably shorter than they would otherwise be. Imagine trying to build a house if you do not own the materials and half way through its 6 month construction the materials leave your control and are employed elsewhere, or even worse, you finish the house and after living in it for 2 weeks you are driven out by invaders. If you know that there is a very high chance that this sort of thing could happen in the society you live in, instead of building a nice strong house that would take you 6 months to build you would be better off just building a small shack which did not involve too much effort, perhaps a couple of days, since eventually you would lose it. In this society people would have little incentive to produce anything because there is a high chance that it could be taken from them and at the same time you have more incentive to try to obtain things by taking them from others. People would carry and guard their possessions close to them and their plans would be limited to very short-term projects that could be closely monitored, defended against theft, and would be no major loss when taken away or destroyed in conflict. There would be little incentive to produce beyond what is necessary for subsistence, it would actually be foolish and detrimental to produce more than what could be defended against invaders.

Why do we buy houses and value them highly? Our homes are an integral part of our lives and our brains value them highly because they are an important part of many of our future plans of action like sleeping, raising offspring, protection from the weather and so on; plans of action, which like all other plans of action, are conceived by our brains to take us from a less favorable to a more favorable state. Now imagine that because of political turmoil a well-intentioned dictator rises to power and next week your house will be taken away from you and you will be homeless. Your house will no longer be a part of your future plans. However important an ingredient to your future plans your house might have been, it is now close to worthless, and the day you can no longer use it at all, it will be worthless as far as your future plans are concerned. During your last week of home ownership your brain will not find it to be in its best interest to clean or take care of the house. If the house were made out of wood, it would make more sense to start tearing it apart and using the wood to build a fire to keep you warm. If someone would be willing to trade you a car which you could keep and make use of for future plans in exchange for your house, you would probably do it depending on whether you felt like a car you can use for a long time was more valuable than using your home for a single week. An hour before the dictator's men come to throw you out of your house you might easily prefer to trade the house for a meal if you could.

If the ownership of property is not secure, property loses its value for longer term plans and it creates incentives to consume resources which would be better used as building blocks for the future as our house example shows. The house lost value because it could not be incorporated into future plans and it made more sense to consume it for immediate needs, like tearing apart the wood for fuel, than as a home for many future tasks like protection from weather, privacy, and childrearing. A society that did not have laws or customs that protected private property or the right to own things would have its brains limited to short term actions and there would be a reduced incentive to produce in excess of mere subsistence. Compared to other societies that did have laws and customs that protected private property and the right to

ownership, it would produce less and have little, if any, technological advancement. This would lead to a smaller, less technologically advanced social order, and eventually cultural extinction either by conquest or migration of its members to other societies which were more prosperous due to their respect for private property. This has been the history of the 20th century's exodus from communist/socialist countries to free-market/private property/capitalist societies, but more on this later.

Social orders grow or perish depending on how their populations act. We have already briefly discussed how a human ant-farm is like a supercomputer which constantly discovers new and superior knowledge that guides its human ants in ever more productive ways. All the resources available to a human ant-farm enter this social supercomputer when a brain takes ownership of a given resource and begins calculating how to best use it for its own plans of action. Since we live in a market oriented society where in order to obtain the goods and services that we want we first have to offer something to the social organism in exchange, it is in the best interest of all brains to look for the best way of combining and incorporating into productive plans all of the things they own and are under their control. If something is not owned or can be controlled by many brains, whatever the item might be, it cannot be incorporated into future long term plans because you never know who might control or use up the resource. In communal ownership the best strategy is to just use up as quickly as possible whatever the item being shared might be and to exclude it from long term plans. This severely limits the possible beneficial uses of resources and eventually leads to less productivity than would otherwise have existed if the items in question were privately owned and controlled by a single entity.

In a free society the only way you can get rich is by first producing things that are greatly valued by society so that society can give you lots of wealth for it in exchange and therefore make you rich. It is in everyone's best interest to combine what they own, or can own, in ways that create as much new wealth as possible, and in order to do this resources have to be incorporated into carefully crafted business plans and for this can only happen if resources are under secure ownership.

Money

We have discussed the advantages of a market-oriented society over a self-sufficient one. We have seen how the division of labor and knowledge allows for the continuous restructuring of the human ant-farm into increasingly more productive and technologically advanced states. These advantages allow market-oriented societies to grow more, support bigger and more technologically advanced populations and sooner or later they spread by either conquest of other societies or by having others migrate or imitate their market-oriented ways.

There is one problem I overlooked with our current market-oriented society. What would I have done if neither the knife maker or basket maker were interested in my coconut pastries? There would have been no trade. The new knowledge I came up with would not have been able to alter my pastry making productive process; the human ant-farm would not have been improved at the rate of two additional coconut pastries per day. I would have

had to ask these vendors what products they would be interested in and then try to exchange my pastries for those instead, and then get back to them to make the trade. Let's say the basket maker was looking for a blanket, I would have had to go find the blanket maker and hope that he would be interested in my pastries so that I could trade them for a blanket and then trade the blanket for the basket. But what if he didn't want my pastries either and wanted iron nails instead? Then I would have to find the nail maker, hope he was interested in my pastries, make the trade, trade the nails for the blanket, and finally trade the blanket for the basket. But what if the nail maker was not interested in my pastries either and wanted wine instead? One gets the point. This problem, of having to run around setting up intermediate trades to make the trade you really want is commonly referred to as "The Double Coincidence of Wants" problem because for a trade to happen you need the coincidence that both parties are interested in the goods they have available for trade. In a very small market-oriented society where few goods are produced this might be workable but as the market grows and more products are produced and offered for exchange, the time spent looking for trading opportunities trying to setup the trade you really want would become a limiting factor to the continued growth of society. Once again we want to keep in mind that biological order, whether it is the cells that make up a person, and therefore the person and therefore the social order, is in a constant cycle of production and consumption. The man who spends 3 hours setting up a trade is consuming food/energy, his family and all that depends on his production will be consuming as well. The more time you have to spend running around setting up the intermediate trades the less you can produce, and there will come a point where you will be more productive hunting and gathering and abandoning all the benefits of trade than spending all day setting up intermediate trades while you starve to death. So the great benefits of trade can only be realized if we solve the double coincidence of wants problem.

This is where the evolution of money comes into existence. As people traded, they realized that there were some goods that most people were willing to trade for, not necessarily because they wanted to consume them, but because they knew they could later use them to trade for the things they really wanted. For example, in my fictional 1,000 member market-oriented society goats were very common. People could use them for their skin/fur, milk, and meat, and most households had at least a few. Because of this, even if I already had more goats than I needed for their milk, skin or meat, I would still be willing to accept them as payment for my goods/pastries because I knew that given the goats' popularity there was a high chance that I could later trade the goats for the other goods I really needed. Even if the basket-maker did not want my pastries there would be a good chance that he would accept one of my goats, and even if he didn't want the goat either and I had to contact the iron nails maker, if he did accept the goat it would have saved me from having to see if the winemaker would trade with me. Essentially what happens is that by offering to trade a more popular good I increase the chances that my attempt at trading will be successful so the average number of intermediate trades goes down the more widely accepted the goats are.

Once people started using a common 'medium of exchange'(the goats) the double coincidence of wants problem went away and goats became the money in the society. The more people, say Adam, Biff, and Cindy, started accepting goats in exchange for their products not just because they valued

the goats due to their milk/fur/meat but because they too realized that they could later trade them for what they wanted, in other words, the more people valued them as money, the more incentive others, say Dan, Ellen, and Frank, would have to also accept goats as a form of payment because they saw how Adam, Biff, and Cindy would later accept the goats as well. Goats now were valuable for 4 things, their skin/fur, milk, meat, *and* as money, as something people value because others will trade for it, therefore making the goats valuable and tradable with an even greater number of people. More people begin to accept goats as payment because they realize they can trade them with more people, leading to more people noticing that more people are accepting goats and so on, until eventually the majority of people if not all would be using goats and thus goats became the major source of money.

Without money one trades two specific goods for each other but a lot of unproductive time and effort must be wasted making intermediary trades to trade for what you really need. Using money two quick trades take place, first one quickly trades a specific good for the generally accepted good (money), then one quickly trades the generally accepted money for what one really needs. I would sell a batch of my coconut pastries for money (a goat), and then quickly trade the goat for the basket or knife, assuming everyone accepts goats by now. Thanks to money, very little time, effort, and consumption needs to take place while one does the trading, leaving that time available for increased production and growth.

In the example above as well as in the real world it is important to note that money was not a deliberate invention on the part of any individual or government. What eventually becomes money naturally arises as it is inadvertently selected by people following their own selfish interests. By inadvertently overcoming the 'Double Coincidence of Wants' problem, these societies inadvertently enjoyed the aforementioned, as well as many more we have yet to discuss, benefits that trade brings to a social order. As great economist and modern founder of the Austrian School of Economics Carl Menger tells us:

*“As each economizing individual becomes increasingly more aware of his economic interest, he is led by this interest, without any agreement, without legislative compulsion, and even without regard to the public interest, to give his commodities in exchange for other, more saleable, commodities, even if he does not need them for any immediate consumption purpose.”*²³

So the emergence of money serves to facilitate trading which is what drives the actions of the human ant-farm. The easier it is to trade, the more fluid, and faster the previously mentioned benefits of trade occur and the faster the society that benefits from them will be able to constantly rearrange its social order into increasingly more productive and technologically advanced states.

Given that money greatly facilitates trade and therefore greatly increases the rate at which a society progresses we have to now consider what qualities lead to the best money. For example, let's say a society uses elephants for money, elephants are big and indivisible. You might be interested in trading some of your elephants for blankets but you feel like one elephant for one blanket is way too much, unfortunately you can't offer a quarter of an

elephant. Elephants can also run away, get sick and die, and can get very angry and destroy property. So a society that used elephants for trading might miss out on many trading opportunities. So what are some of the qualities that make good money?

1. Wide acceptance as a medium of exchange. You want the money to be accepted by as many people as possible, this allows you to trade for the most amount of goods and services. Goods and services that now become available to your calculating brain.
2. It should be seen as valuable by itself, like gold for example. Gold can be used as money yet it is valuable for ornaments and industrial purposes. This greatly helps meet quality #1. If something is valuable by itself, more people are willing to trade for it which means that you will be able to trade this money for a greater amount of goods and services.
3. You want money to be durable. You don't want your money to be burnt away, or die or run away from you like an elephant can. You want it to be a durable store of value.
4. Divisible and easily aggregated. You want to be able to divide the money into smaller units to enable trades for items of low value and you also want to be able to combine your money into large quantities to facilitate expensive trades.
5. Convenience. Money should be convenient to carry and transfer.
6. Money should be relatively scarce or hard to manufacture. This is an INCREDIBLY important quality, the future and very progress of mankind depends on it and we will discuss why later.

Cattle were the most commonly used form of money in early civilizations, Menger again:

“In the earliest periods of economic development, cattle seem to have been the most saleable commodity among most peoples of the ancient world. Domestic animals constituted the chief item of the wealth of every individual among nomads and peoples passing from a nomadic economy to agriculture. Their marketability extended literally to all economizing individuals, and the lack of artificial roads combined with the fact that cattle transported themselves(almost without cost in the primitive stages of civilization!) to make them saleable over a wider geographical area than most other commodities. . . The trade and commerce of the most cultured people of the ancient world, the Greeks . . . showed no trace of coined money even as late as the time of Homer. Barter still prevailed, and wealth consisted of herds of cattle. Payments were made in cattle. Prices were reckoned in cattle. And cattle were used for the payment of fines. . . Among the Arabs, the cattle standard existed as late as the time of Mohammed.”²⁴

As societies progressed and became more centered around life in cities, the daily activities of the average person dealt less and less with animals, and the

“animal standard” of money was slowly replaced by the “metallic” standard which used coins made out of metals like copper, silver, and gold. Menger continues:

“Copper was the earliest metal from which the farmer’s plough, the warrior’s weapons, and the artisan’s tools were fashioned. Copper, gold, and silver were the earliest materials used for vessels and ornaments of all kinds. At the cultural stage at which peoples passed from cattle-money to an exclusively metallic currency, therefore, copper and perhaps some of its alloys were goods of very general use, and gold and silver, as the most important means of satisfying that most universal passion of primitive men, the desire to stand out in appearance before the other members of the tribe, had become goods of most general desire.”²⁵

The change from animal standard to metallic coins did not happen overnight or in all cultures, it was a gradual change, many cultures went through periods where both standards were used at the same time. By the 1800’s as far as we are concerned the modern Western world was using gold and silver. As the human ant-farm progressed these two metals, especially gold, emerged as the best money around. Both do a great job of meeting the 6 criteria for good money. Let’s just focus on gold from now on and see why.

It is widely accepted as money, everyone knows gold is valuable and willing to accept it as a form of payment. Gold does not rust or burn away, it can be stored and not decay for an eternity as far as people are concerned, it is durable. It can easily be melted and divided into smaller pieces of any size and also combined to make large purchases. It is easy to carry around. It is very heavy but by the time it gets too heavy to carry you are making very large and infrequent purchases.

So let’s recap. To understand mankind, his past, and his future, is to understand the growth and characteristics which enable, motivate, facilitate, or impede the growth of the human ant-farm. Human ant-farms that don’t grow are overtaken by those that do, and since we are alive right now, we happen to be part of a human ant-farm that so far has managed to grow or at least maintain and defend its social order. We always have to keep in mind that societies succeed or fail based on their growth and technology and more often than not how the previous two lead to the ability to kick butt. More productive social orders can afford to feed and clothe bigger and better equipped armies. I am not saying that we are alive today because we are descendants of a single human ant-farm that stumbled upon the right economic institutions like the use of money and others we still have to discuss, this is obviously not the case. What happens is that as human ant-farms grow, conquer, are conquered, assimilate values, spread values, and so on, the technologies, good ideas and customs are more or less retained. We saw how the self-sufficient society gave way to the market-oriented one and how the market oriented one used money to be even more productive, and we discussed how better money leads to an even better and more efficient working of the social order. And finally we analyzed how gold naturally emerged as the best money for the various human ant-farms that when added together make up the global social order or social organism. At this point in the book this simple bare-bones evolutionary approach to social evolution will do but we will look into this sort of thing in more depth as we go along.

Prices. The quantity theory of money

Imagine a small island human ant-farm where there is a total of \$1,000 dollars held by its 100 inhabitants (each has \$10). Each person produces 10 goods so that this human ant-farm produces 1,000 goods (100 people x 10 goods = 1,000 goods) that the inhabitants consider useful and are willing to pay for and exchange amongst each other in a market. Can anything in this island sell for \$1,200? No, even if all the inhabitants put their money together they cannot buy a product that is being sold for that price because there are only \$1,000 total dollars in circulation. If the seller ever expects to get anything in exchange for his product he will have to lower his price. The \$1,000 have to be spread amongst the 1,000 products.

Let's say that Nelson produces a medicine that cures all disease, quadruples sexual pleasure and stamina, and gets people very high and happy with no detrimental side-effects. Obviously Nelson has a very valuable product, and because of this, people value Nelson's product a lot more than other things and this naturally reflects itself in the large amount of wealth people are willing to trade for it. If everyone has on average about \$10 would they trade all of their money for Nelson's medicine? No right? They'd still want to eat, but let's assume that they are willing to trade half of their money, \$5 for Nelson's product. Let's say that on Monday morning everyone rushes to Nelson's area in the market and pays him \$5 for just a few drops of his medicine. Nelson now has $\$5 \times 99 \text{ people} = \$495 + \text{his original } \$10 = \$505$ of the economy's total of \$1,000. Let's assume that Nelson saves his money by placing it under his mattress. Since so much money was traded for Nelson's medicine this means that there are only \$495 dollars left to be traded among all the other 990 goods forcing their prices to be lower than they would have been if people did not trade so much money for Nelson's medicine, right? If people didn't value Nelson's product so much and his total sales revenue for the day was just \$10 instead of \$495, there would now be \$980 dollars left in the pockets of everyone else in the economy which would be traded for the non-Nelson goods leading to a higher price per good.

A lot is going on in this little scenario and the reader can come up with many questions that I hope will be answered in the coming pages, but the concept we want to get a feel for is that the price of goods and services is influenced by the total amount of money that can be exchanged for them and that the more money is spent on some goods because they are more valuable, the less money there will be left over to be spent on the less valuable goods. This is what leads to more valuable goods fetching a higher price than less valuable goods. Let's go over a few simple exercises to understand the important relationship between the total amount of money, or money supply, and prices.

The average price of each good would approximately be the total amount of money in the economy divided by the total amount of goods. In this case $\$1,000/1000(\text{goods}) = \1 per good. What if our island economy had \$2,000 total dollars as opposed to \$1,000? There would now be \$2,000 dollars that can be used to purchase the same amount of wealth, the same 1,000 goods. The average price of a good would be approximately $\$2000/1,000 = \2 , there are still the same 1000 goods being traded amongst 100 people. People would have twice as much money to buy goods that sold for twice as

much so they would be no better or worse off. What if there was a total of \$100 dollars in the economy? In this case the average price of a good would be $\$100/1,000 = .10$ or 10 cents. People would have 10 times less money but each good would cost 10 times less so once again it would make no difference, there are still the same 1,000 goods being traded amongst 100 people.

Next let's imagine a couple of years go by and everyone in the island has become so good at what they do that each person has doubled his productivity by producing 20 goods instead of 10. Our economy now looks like this, \$1,000 dollars in circulation and 2,000 goods. The \$1,000 will eventually be divided amongst 2,000 items creating an average price of 50 cents per item. The people are better off because they each have the same \$10 dollars but instead of each dollar buying them more or less one item at a price of \$1 per item now each dollar buys them 2 items because the average price has been cut in half to 50 cents. Each person is better off because each person managed to produce twice as much as before and this doubling of productivity is reflected in the 50% drop in prices. Before, each good had to sort of compete against 999 other goods for dollars to buy it, and it could get about \$1 spent on it, but now each good has to compete for the same \$1,000 dollars but there are an additional 1,000 goods also competing for the same \$1,000 dollars. Why has the price of each good been cut in half? Because there are twice as many goods being "chased" by the same amount of dollars. Why are there twice as many goods? Because new knowledge, thanks to experience and the constant search for more efficient ways of doing things, has replaced less productive knowledge and people led by this new knowledge have acted in ways that doubled their productivity.

There are three important things to learn from the previous examples. One is that any amount of money is sufficient to help coordinate the actions of a human ant-farm, whether 100, 1,000, or 2,000 or a trillion dollars, the amount of money in an economy has no impact on the workings of the economy. Two, is that the increased prosperity of a human ant-farm has nothing to do with the amount of money or average price of goods and everything to do with the amount and quality of goods being produced. The island economy went from producing 1,000 items per 100 people to 2,000 items per 100 people. Thanks to the increase in productivity there are now more goods per person and that is a good thing. What really matters is not the specific prices of goods but the relationship of values between goods. For example, if the value of one orange is that of two apples it does not matter whether the orange is \$100 and the apples are \$50 or whether the orange is \$10 and the apples are \$5, all we care about is the relationship between the values of goods and any level of prices as long as it correctly shows this relationship is fine. And third is that as people increase their productivity prices should go down if the amount of money is not increased, as people doubled their productivity we saw how prices were cut in half, this is a good thing, it is what we should expect to happen in general in a healthy and prosperous society.

It is very important to always keep in mind this relationship of how the money supply and productivity affect prices. Let's go over a few more scenarios just to practice and gain a few insights. Let's once again assume the 100 person scenario where everyone has about \$10 so there are a total of 1,000 dollars in circulation and that each person produces 10 items for a total of

1,000 items in the island economy and every item more or less has an average price of one dollar. What would happen to the average price of goods if Johnny woke up one day thinking he was a prophet from God and convinced everyone to work 12 hours per day instead of their usual 6 because that was God's will? Since they worked twice as long we would expect them to produce twice as much so the average price would be $\$1,000/2,000\text{goods} = .50$ dollars or 50 cents. Johnny had another revelation; God was pleased and wanted everyone to go back to their usual 6 hours per day. Productivity went back down to old levels and the average price of goods went back up to \$1 per good ($\$1,000/1,000 = \1).

One day Oscar needs to buy five items and he needs a loan so he asks Mark for a \$5 loan which he will pay back in a month, Mark agrees to lend him the \$5, and Oscar uses it to buy his 5 items. The following night while everyone is sleeping, Ben, the money gremlin, goes to everyone's house and gives everyone \$40. After a week of buying and selling the average price now settles at \$5 per item because thanks to Ben there are now a total of \$5,000 in circulation but still just 1,000 products being produced on average so their price is $\$5,000/1,000 = \5 per item. When it comes time for Oscar to pay back his \$5 loan to Mark, he finds it very easy to do so given the extra money he now has thanks to Ben. Mark feels a little weird though, he had to forgo the purchase and enjoyment of 5 items in order to save the \$5 he lent to Oscar last month but now the \$5 he got back can only buy him a single item because prices are higher. Thanks to Ben, Mark got cheated to Oscars advantage, Mark lent out money that had the purchasing power of 5 items and he got back the same amount of money but this time it only had the purchasing power of a single item.

Keeping in mind that there are now still \$5,000 total dollars in the economy, a few months go by and Oscar asks Jose for a loan to buy 5 items so he now needs \$25, Jose agrees to lend him the \$25. The next day Ben the money gremlin sneaks up again but this time he takes back the \$40 he gave to everyone so that everyone goes back to having about \$10 each and the economy goes back to \$1,000 total and after a week of trading the average price settles downward at the expected \$1 per item. Oscar is now in trouble, he can't sell his goods for the \$5 per item that they used to sell for because there is now less money in the economy. At the previous price of \$5 per good he could raise the \$25 needed to pay back the loan by selling 5 goods, but now he needs to sell 25 of them at \$1 per good and is obviously finding it a lot harder to save the \$25 he owes. He borrowed money that had the purchasing power of 5 items and now he finds himself having to return the same monetary amount but it is an amount that represents 25 actual goods. He starved himself trying to save the \$25 and still came up \$5 short and was hanged for his crime of not paying back the full \$25. This time thanks to Ben, Jose got a great deal at Oscar's expense. Jose lent money with the purchasing power of 5 items and he got back money with the purchasing power of 20 items and poor Oscar was seen as an evil person who did not want to pay back his loan and lost his life.

The last two scenarios provided further examples of how the money supply affects prices and it also showed us how changes in the money supply affect borrowers and lenders. In the first example we saw how Ben's increase in the money supply not only increased prices 5 fold but it also made it easier

for borrowers to pay back their loans at the expense of the people doing the lending. The last example showed how a decrease in the money supply made it harder and harmed borrowers for the benefit of lenders.

Our simple formula for average prices of dividing the total amount of money by the total amount of goods can be referred to as the “Quantity Theory of Money”. It is a slightly crude way of looking at prices and far from being their exact determinant but captures the essence of their relationship and is perfectly suited for our purposes. As we continue we will have a better feel for how money, value, and prices are related.

The creation of useful knowledge

In a market-oriented society every human being is in the business of serving the larger social organism, i.e. the market. We have to create things that are ultimately desired by society. Somehow we have to produce something that people are willing to trade their money for and helps them move from an inferior to a superior state of well-being. Whatever it is that we produce is based on some knowledge, if the outcome of this knowledge is a product or service that no one is willing to trade their money for, I have to discover some other knowledge that leads to me acting in a different way so that I produce something that the rest of society wants. Let's say Bob has an idea for a hole-making business which works as follows: people bring Bob things and he uses his drill and gun to make holes in them. Bob has certain knowledge, the knowledge required to create and operate his hole-making business and offer his hole-making service to society. Bob opens his business, gets the word out via some advertising but unfortunately for Bob his hole-making service seems to be of no use to the human ant-farm. Bob is not producing anything of value, since he is not producing anything of value Bob has nothing to trade for the money he needs to later trade for all the other things he wants like food and shelter. So Bob's savings get alarmingly low, he abandons his hole-making business and trades his ability to learn and show up on time with a fast food restaurant. In a few weeks Bob's useless hole-making ideas have been replaced by burger and fry making knowledge which are of use to the human ant-farm. Bob's brain has been altered by the natural workings of the market-oriented human ant-farm. Bad knowledge has been forcibly replaced by more useful knowledge. The market process naturally fills brains with productive knowledge which guides them into being the best little ants we can be for the larger social order.

Thinking about progress and its destruction.

Let's brainstorm about what progress really means. When most of us think about progress we think about better technology, better medicines, the ability to live longer and disease free, not having to work as hard to enjoy a bigger economic pie. There has obviously been great progress during the last few thousand years. Sure there have been lots of bad things along the way, but overall most of us owe our lives to the highly efficient and productive arrangement of human beings that has occurred in the last few thousand years, especially since the Industrial Revolution. Many of us don't work a day in our lives until we are well into our 20s, an option which would only have been available to royalty or the relatively very rich in the past.

Let's imagine we are looking down from above at three societies governed by their respective kings that are at the same stage of social and technological development. Since people are always thinking and discovering new and superior knowledge and improving their methods of production we can expect these three societies to progress into more advanced and productive states as time goes by. Let's assume that every week society B's king takes away 25% of everything new that his subjects produced, the king of society C takes 50% of what his subjects new production, and the king of society A leaves his subjects alone. Unlike modern governments who take wealth from society and then redistribute it to build roads, provide government schools, national defense, courts, police, resources for the poor and other things which supposedly help society, the kings just build themselves fancy castles and don't give anything back that is useful to their societies. After a hundred years, which society would we expect to have progressed further? We should expect society A to be the most advanced, followed by society B and then C. If building a home in society A would take about 6 weeks of work gathering materials, in society B it would take about 8 weeks because every week one fourth(25%) of the materials would go to the king so more work and time would have to be spent to make up for the lost wealth taken by the evil king. In society C it would take 12 weeks because half the wealth was taken and therefore twice as much time had to be spent producing the same amount of wealth as in society A. This sort of delay would happen not just in building a home but in other productive processes and therefore lead to an overall slowing of the rate at which human ant-farms B and C would progress compared to A.

The general slowdown in the progress of human ant-farms B and C would be no different if instead of evil kings removing their productivity, it were due to large waves of criminals stealing and consuming the same amount of resources. In the example, the kings took away 25 and 50 percent of all new things produced to use as they pleased, but a more realistic example is if they taxed everyone's money and then used the money to buy resources and bring them under their control that way. In one way, the king's henchmen periodically show up at everyone's doorstep with a wagon and say "give me 25/50 percent of all the new things you have produced" and take the goods that way. And in another way the henchmen show up at everyone's door and simply ask for 25/50 percent of people's weekly earnings, which they later use to buy products to fill their wagons and take them to the kings. So whether the kings have 25 and 50 percent of new production going to their plans directly by confiscation of the real physical wealth or whether they take people's money and then use the money to buy resources which are then employed for the kings' plans which are of no benefit to society, it makes little difference. The moral of this story is that when wealth is destroyed or wasted the very progress of mankind is slowed down.

A final but very important thing about progress is that for most of our evolution there was none of it and therefore it is not something we have evolved to intuitively understand. When we think of lost wealth, or the type of oppression the kings imposed on their subjects in our last example, it is easy for us to understand the hardship and injustice of having what you've worked for taken away from you, but the important fact that the very technological progress of mankind is stopped or slowed down is something we don't intuitively take into account and should try to constantly keep in mind. We

will get a much better understanding of how society restructures itself into more productive and technologically advanced states when we look at the role that savings play in later sections.

Inflation

Inflation can be defined as the increase in the price of goods brought about by an increase in the supply of money. In the previous section entitled “Prices. The Quantity Theory of Money”, we saw how the amount of money in circulation plays a crucial role in determining prices. We saw how doubling the amount of money would more or less lead to a doubling of the prices and so on. In this section we are going to learn a few key things about how and what can happen when the money supply is increased. In order to better prepare our minds for a good understanding of inflation let’s try to envision a 1,000 person market-oriented society where most of the people produce a single type of good which they use to trade among themselves and that they also use paper dollars just like we do, and that there are a total of \$10,000 in circulation. Once again we want to picture things from high above, with anti-like human beings going about their daily tasks of producing goods/services, trading their goods for money and using this money to buy other goods.

In each person’s mind there are pages of information specific to the knowledge related to the products/services they offer to the market. Every member of the society does the best he can to enjoy his life. Most people realize that the best way to enjoy the most material comfort is to focus on producing the products they specialize in. They all more or less do this because based on their knowledge this is the best they can do. No one directs the social order, the social order is the emergent behavior that arises out of the selfish interests of individuals. The social order is currently structured as best as it could possibly be given the knowledge that it contains dispersed throughout its many minds.

When a person realizes that something is valuable he or she is willing to take steps to its acquisition. When we grow up in a market-oriented society we are taught that money is a very valuable thing and we structure a large part of our actions in a way that maximizes our ability to get money. Money is like cheese for a mouse in a cartoon, you can use it to lure people to do stuff, it is the primary means by which one can rearrange the social order. One day Alan the schoolteacher invents a printing press, prints himself \$10,000 and starts offering people a lot of money to build himself a castle. Alan offers enough money to lure 500 of the 1,000 members of the social order to work on building his castle. These 500 people realized that they could make more money by working for Alan than by continuing to produce whatever it was they made before. The social order’s productive structure, in other words, the sequence of actions taken by its 1,000 members, has been drastically altered. Assuming it takes 6 months to build Alan his castle, let’s see some of the changes that are happening to the social order.

As the 500 people start working on Alan’s castle, given that these 500 people were half the population of the whole town and they are no longer producing whatever it was they used to produce, the total amount of goods and services in this town has been cut in half. The \$10,000 in circulation now

will be spent in half as many goods so there will be a tendency for prices to rise until they eventually double. But now we also take into consideration the extra \$10,000 that Alan is adding to the economy as he pays the 500 people who work on building his castle. This slow doubling of the money supply further doubles the prices again. Let's assume that before Alan used his new money to restructure the social order there were about 10,000 goods produced and the average price was $\$10,000/10,000\text{goods} = \1 per item. When half the people went to work on Alan's castle this changed to $\$10,000/5,000\text{goods} = \2 per item. Towards the last days of building Alan's castle when he had already added most of his new \$10,000 to the economy in the way of wages for his employees and before they went back to producing the things they used to produce, things would look like this: $\$20,000(\text{money in economy})/5,000(\text{goods produced}) = \4 per good. For 6 months even though people were getting more money they were actually poorer because ultimately there were half as many goods being produced that were available for them to buy regardless of how much money they were earning. For half the population, the knowledge in their brains was increased by castle-making related knowledge. After spending 6 months building a castle some of their proficiency at producing what they used to produce must have been lost, and all the knowledge and new ideas which could have increased their productivity at producing their old products, and the possible improvements that they might have discovered during the six months of additional experience failed to come into existence because their minds were preoccupied with an entirely different subject. With the exception of Alan who thanks to his printing press can afford to buy anything no matter how high prices get, and who has a new impressive castle, the average member of society is worse off. Six months of his life have passed by and his material well-being was actually reduced during this time even though he was fooled into thinking he was richer because he had more money.

If Scott had \$100 in savings before Alan's inflationary spending, Scott's \$100 could have bought him 100 items at the old price of \$1, the purchasing power of each dollar was one item, but after Alan's gimmicks his \$100 could only buy him 25 items. Alan's inflationary spending robbed Scott of his money's purchasing power and therefore his savings. At some point in the past, Scott had worked and increased the economic pie by adding wealth(haircuts, bananas, berries, whatever Scott did), and it is thanks to these products/services which he added to the economic pie, things which people felt they could incorporate into their plans to improve their lives, that they gave him the \$100 which he managed to save. The \$100 Scott saved, were a sort of claim on 100 goods, but Alan's inflation ultimately robbed him of 75 of those goods. So we see how the wealth stolen via inflation reflects itself in the lower purchasing power of the monetary unit.

With the exception of Alan, the social order is in a worse state after the six months than before. The knowledge in the 1,000 brains is less useful than it would have otherwise been, and there is less production. After a few weeks the social order will rearrange itself into a productive structure similar to what it was like before Alan used his printing press to distort the social order's structure of production solely for his benefit.

The 500 people that were employed in building Alan's castle were producing things, some mined rocks, others created ladders and other tools

needed for the building of the castle, but this new production does not increase the well-being of the 1,000 human beings that make up the social order. They are not products that the 1,000 people that make up the social order can incorporate into their plans to improve their lives.

By controlling the money supply the entire productive structure of the social order can be altered to work and produce for the benefit of those who control the money as opposed to for the human ant-farm or social organism at large. Before Alan altered the structure of the social order for his benefit people worked for the benefit of everyone else through the complicated network of mutually beneficial trades of daily life. As soon as he started increasing the money supply we saw how people were duped into altering their productive activities which were truly in their best interest for working on the desires of those who controlled the money supply.

It is important to realize that as far as the well-being of society's members is concerned, it would not have made a difference if Alan was an evil king who instead of using inflation to restructure the social order to his benefit, taxed and took away half of everyone's money by force in order to raise the money needed to hire people to build his castle. The fundamental difference here is that nothing is seemingly taken away from the members of society when inflation is used. We have evolved to easily understand that when something is taken away from us we are worse off. One is just as worse off if prices double and your money can buy you half as much, as if a thief steals half of your money while prices remain unchanged. When a thief steals your money you know who is doing the redistribution of wealth and this is something that even monkeys, dogs, and less intelligent animals can figure out, but when it comes to inflation we are clueless. We have not evolved to deal with and understand money and therefore we do not understand inflation.

A similar example goes as follows. Let's say you print yourself 1,000 trillion dollars and start offering people on United States' West coast ridiculous amounts of money for their goods and property. You buy all the land and wealth in California, Washington, Oregon, etc. Most people gladly sell you everything and use the new money to move east where they can easily afford big houses, cars, etc. thanks to the insane amounts of money you gave them for what they used to own in the West coast. Next you keep on buying everything in sight as you continue to move further east. You buy as much land, cars, wealth as people are willing to sell you in Idaho, Nevada, Texas, Nebraska, etc. as you continue to move east. As this is happening Americans are growing richer in terms of money but poorer in terms of what really matters, wealth. At some point you make it to Florida, by this time it will be packed with about 300 million Americans and perhaps the 1,000 trillion dollars or more you kept offering people. With so much money and so little wealth left the price of everything in terms of dollars would be astronomical and people would be much poorer given that you are the one that possesses most of the wealth. Anyways, this is a crazy example, but a short one that once again helps show visually how inflation is theft. Let's go over this one more time.

Inflation's redistribution of wealth

Inflation does not just restructure the social order to the benefit of the ones increasing the money supply like it did for Alan, it has another bad

and more subtle effect. Let's name the medieval town, where Alan has distorted the social order to work to his benefit, town A. Let's imagine that there are two other towns nearby. Town B is located 5 miles east of town A, and town C is located another 5 miles east of town B. So on a map they look something like this:

Town A---5 miles-----Town B---5 miles-----Town C

As the prices rose in town A because of Alan's increasing of the money supply and the fact that there are less goods being produced, people started going to town B to buy stuff where prices were now relatively cheaper than in town A. As people from town A started buying goods from town B, town B got a large increase in money and saw its goods being shipped to town A, so town B saw an increase in the money supply and a reduction in the amount of goods, so in town B there would now be more dollars chasing a smaller amount of goods so prices eventually rose there as well. People in town B saw that prices in town A were already very high so they took their new money to town C to take advantage of the lower prices there. New money came to town C and goods in town C were shipped to towns A and B and prices rose again in town C. Unfortunately for the people in town C their new money could not get them much from towns A and B where prices were already high. Town C was the biggest loser, they saw their real wealth, the real goods they produced leave their town and all they got was paper which could not buy them as much from towns A and B as what they gave up in exchange for the paper; all thanks to Alan manipulating the money supply to his advantage.

In the previous example we can see that as the new money spreads throughout the economy, those who are closest to where the new money entered the economy get a benefit and those that are furthest away are harmed the most, there has been a redistribution of wealth as the gradual increase in prices worked its way through the entire economy. Alan was the biggest winner. Instead of first producing economic-pie-increasing wealth and then trading it for money and using the money to reduce the economic pie via his consumption, he simply created the money without previous pie-increasing-production, leading to pure consumption of the economic pie, or pure theft from society. The next benefactors were his employees, then his town as a whole as they bought things from town B. Many in town B suffered higher prices and not being able to buy from the already-expensive town A but at least they got to use some of the additional money to buy from town C whose members really got cheated.

The natural selection of gold as money

In the previous section entitled "Money" we discussed some of the important characteristics that make good money but we did not go into detail for the 6th quality which read "Money should be relatively scarce or hard to manufacture." After having discussed inflation and its evils it is easy to understand why this quality is of vital importance. If the money is easy to manufacture, then people have more incentive to create money than to

actually produce real wealth. If dirt is accepted as money then people will just dig dirt and offer that in exchange for goods from fools. The economic pie is increased by dirt, while it is reduced as the dirt-making people consume the real wealth they were able to exchange the dirt for. A society that uses an abundant thing like dirt for money would have the products it produces brought into the possession of people that came up with the best way of creating money/dirt as opposed to the people that added useful products or services to the human ant-farm/‘economic pie’. Once again try to picture it from high above. When Alan started using money to build his castle, the most important things in society, the people and their brains were drawn and directed away from productive activities that were good for the whole social order, activities which increased the economic pie of useful goods. The useless and damaging knowledge of counterfeiting was rewarded. Given that money can be used to restructure the actions of the social order it is of vital importance to societies that those who obtain money do so by producing things of value to society, in other words, by increasing the economic pie of socially desirable goods, goods that people are willing to freely trade their money/wealth for. If Alan would have produced many great things of value to society in exchange for money and then used his large savings, which came from previous socially beneficial production to build his castle, although the effects would have been similar (prices would have first declined as Alan removed money from economy as he saved it, and later increased as Alan injected his savings back into the economy), society would have benefited in the past from all the great things Alan produced which would have strengthened it or improved it in some way.

The destructive effects of inflation will plague societies that make the mistake of using money that can be easily manufactured or counterfeited. Their productive structures will be distorted leading to a weaker and less productive social order. Good money forces every brain to think of a way to add something to the economic pie that society values and is willing to trade for (for most of us we add our labor). It forces everyone to be a good little ant, always taking part in the endless pie-increasing-cycle of production-trade-consumption. Good money can be trusted to show the optimal relationships between the values of goods in society and make efficient social calculation possible. Bad money will cause a society to have its structure distorted for the benefit of the people controlling the money supply like Alan did in our simple example, or as is the case in real life, governments and their well-intended-yet-economically-ignorant tribal politicians.

By the early 20th century gold had arisen as the best money. It met all the criteria previously described, helped people all over the world trade and therefore expand the division of labor and knowledge all over the world, bringing great benefits to those societies that embarked on trade. It is important to note that just like money was not consciously “invented” by people neither was the gold standard. Unfortunately governments began abandoning gold so that they could act as Alan did and a few samples of their ignorance and mischief follow next.

Hyperinflation and historical examples

When inflation increases very fast because the increase in the money supply is much greater than the increase in the production of real goods and

services, we have what economists call hyperinflation. Modern governments have often times destroyed the productive structures of their social orders by essentially acting like Alan. Instead of printing money to restructure the social orders to create castles, they use the money to restructure the social orders to carry out wars, to “try” to provide government services like education, medicine, elderly care, to strive for “equality” and “social justice” and just about everything the unfortunately economically ignorant citizens expect their politicians to do. When governments tax their citizens directly to pay for the real costs of having the government manage all of these services, the true costs of maintaining a hugely bureaucratic, inherently corrupt and inefficient structure like the government provide for such services becomes known, and the citizens would be unwilling to pay such high taxes, but with the printing press¹, the governments can still rearrange the social order to try to provide such services but the real cost is not paid by taxes but by higher prices which the population blames on greedy businessmen and everything else imaginable except for the real cause of the problem, government economorons creating money and using it to rearrange the social order to their liking without really having an understanding of how they are creating the very problems they are trying to solve, but more on how government really works later.

Here are just a few of the many lessons history teaches us about hyperinflation. ⁶.

1. In 1985 the Bolivian government tax revenues covered only 15% of their spending. If the government spends the same amount of money that it takes from its citizens via taxes there is no new money created and therefore no inflation, but since it only collected 15% via taxes it essentially printed new money to pay for the remaining 85%, every year. In 1980 it took 24 Bolivian pesos to trade for a US dollar, by 1988 it took about 2 million pesos to buy a US dollar. A hard working Bolivian who in 1980 might have saved 120,000 Bolivian pesos to retire on, which would have bought him wealth equivalent to what \$5,000 USD could have bought, would only be able to trade his 120,000 for wealth equivalent to about six US cents by the year 1988. His savings were stolen via inflation.

2. In 1980 it took 2,000 Argentinean pesos to trade for a US dollar, by 1988 it took 60 million.

3. In 1980 it took 70 Brazilian Cruzeros to trade for a US dollar, by 1988 it took 140,000.

4. Perhaps the most famous of all is the German hyperinflation following WWI where an item that might have cost one German mark in July 1914 would cost 726,000,000,000 marks in Nov 1923. At times prices doubled every 49 hours.

It is important to always keep in mind that we have not evolved to understand the workings of the modern social order and the crucial role that money plays in it. As I hope becomes more obvious in the coming sections, our mainstream economics establishment and bureaucrats are no different than

¹ Or digitally created money in our day.

medieval doctors trying to cure people by slowly removing their blood(bloodletting).

Most politicians responsible for the inflationary collapses of their countries have little understanding of what it is they are doing, and the public that votes for them are equally clueless. Most people think inflation is some kind of natural phenomenon that needs prestigious looking white men armed with complicated mathematical equations to understand and control or manage. But this is not true and based on the few simple concepts that we have already discussed it should be obvious to see that inflation is caused by those who control the money supply and all that is needed to stop it is to simply put an end to the creation of additional money.⁷

Profits, companies and wages.

As briefly mentioned in the introductory chapter, the entire social order is one gigantic matter-to-human-usable-wealth transformation entity. For the most part matter is first dug up in mines and through countless transformations it becomes the physical wealth that we associate with the tangible products we use. When it comes to food it is no different, the various chemicals which we need to survive exist in the world and are transformed and packaged in a way we can absorb via the work of plants and the animals we eat. Let's imagine a simple one person economy where a man(Marc) lives in an island and requires a fish per day to maintain his life/'orderly structure'. Every day, Marc interacts with the world and transforms it in a way that produces enough wealth for him to live, his transformation involves throwing a spear several times in the water until eventually he catches a fish. When he catches the fish he has increased the world's economic pie of human usable wealth by one fish. He needs to consume the fish in order to maintain the ongoing consumption of nutrients that keep his body functioning. If Marc can continue to produce one fish per day he will be able maintain his internal order, if he goes hungry for too long, his internal order will not have the necessary nutrients and energy needed to keep the whole thing in order and it will break down. Whether it is the heart, liver, kidneys, or something else, eventually something will not function well enough to provide whatever service it provides for all the other parts that depend on it, and this part's failure will trigger many other failures until eventually the entire orderly structure(Marc) will break down in a way that, even if one were to sort of jump-start his heart, it would be too late to get all the other organs/'orderly structures' to restart appropriately. But Marc is crafty, he gets better at fishing and now he catches five fish per day. Now he has an amount of wealth greater than that which is needed for his mere subsistence, he has a *profit*, a profit of four fish.

A profit can be seen as the amount of wealth produced that is in excess of the wealth that needs to be consumed to maintain the current level of order or homeostasis. If Mark only manages to catch $\frac{1}{2}$ fish per day, Mark's orderly structure will have to consume less and the order that can be sustained with less wealth will be a smaller one. Mark will lose weight, be more fragile, like a starving refugee in a prison camp or perhaps die. At five fish per day Mark can sustain a larger amount of human order that would consume the additional fish; he can feed a wife and 3 others. If there are 5 people who live off of Mark's daily production of 5 fish the social order is now 'breaking even'

or profitless. In order to maintain the homeostasis of this 5 person social order 5 fish need to be consumed, there would be no amount of wealth greater than that needed for mere subsistence; there would be no profit, no amount of order sustaining wealth with which to expand the social order. If there are 5 people and Mark's fish production falls to 3 fish, the order than can be sustained by the smaller amount of wealth will be smaller. Assuming they share the fish equally, each will now get 0.6 fish per person. If they can still live with this amount, they will lose weight/'biological order'.

In the modern world when we think of profits we associated them with money because we use money to help us trade as well as in measuring or valuing wealth. We also associate profits more with companies than we do with individuals but the same concepts just described for a biological thing like a human being extend to companies. Similar to how cells are the orderly structures that interact to make a larger human biological enterprise, human beings are like the cells that interact/trade to make up companies, and just how humans like Mark need to act in ways that create the necessary wealth to maintain the parts they are made of, so do companies have to act in ways which produce enough wealth to feed/maintain their internal structures like employees, machinery, etc. Let's look at several examples that will help us get an intuitive feel for how this works and also review some concepts already discussed.

Every company or mini social order is involved in a constant cycle of production, exchange and consumption. For example, thousands of Microsoft employees coordinate their efforts to *produce* and then offer Microsoft's products and services to the world which increases the world's economic pie of wealth. These goods and services are then *traded* for money as they are sold to the public and the money is then *traded* again for wealth like the food, homes, cars, fuel, etc. that Microsoft's employees *consume* and remove from the economic pie. So on the one hand, the economic pie is increased due to a company's production of wealth, and on the other, it is decreased due to the wealth a company must consume in order to maintain its productive social order or orderly structure. Notice how the use of money helps to ultimately trade wealth for wealth which is what really matters for consumption. Money acts as a so called 'medium of exchange', it helps us exchange wealth for wealth in a way that overcomes the double coincidence of wants problem. Microsoft's employees don't go around trading Microsoft's products for the cars, food, wealth they need. First they trade these highly specific goods for money which can later be traded for other highly specific goods without the unproductive intermediate trades.

The sales revenue of a company is a measure of how much wealth it has added to the world's economic pie. For example, if Microsoft sells 40 billion dollars worth of goods and services in a year it has added about 40 billion dollars worth of wealth to the economic pie. The costs of maintaining a company or social order is reflective of how much wealth is consumed from the economic pie. For example, if 20 of the 40 billion dollars in revenue are used to pay for employee's wages, rent/etc., some of those 20 billion will lead to the consumption of homes, cars, energy, doctor's visits and so on, which more or less reduces the world's economic pie by about 20 billion dollars worth of wealth. The difference between how much wealth a company has added to the economic pie, in other words its revenue, and how much wealth

the company needed to consume in order to maintain or nourish its social order(its costs) is the profit, which is a measure of by how much wealth the world's entire economic pie has been increased overall. If a company is breaking even it can be said that its social order is leading to as much economic-pie-decreasing consumption as economic-pie-increasing production leaving the economic pie more or less unchanged. If a company is losing money it is consuming more wealth than that which it is adding leaving the economic pie smaller.

When we discussed Mark's life, we looked at the cycle of production and consumption from a single individual's perspective in a very simple non-market-oriented society, let's once again look at the cycle of production and consumption from an individual's perspective but this time in a modern market oriented society.

A Microsoft employee(Bruce) constantly trades each hour of his labor with the company. Every hour that Bruce works he increases the world's economic pie by one hour of highly specialized computer programming services. Microsoft, or any company or mini human ant-farm, is really just a complicated network of trades made by individual human beings. This is a simple but important point we want to keep in mind. Companies are just concepts we use to describe groups of people who coordinate their efforts to be more productive than they would have otherwise been as loners. Ultimately there are only individuals.

Microsoft then combines or incorporates Bruce's hours of labor in a way that helps it create the goods and services that so many of us buy or trade our wealth for. Next society trades its money for Microsoft's products leading to Microsoft's revenue from which Bruce's paycheck will come. So we can envision Bruce trading his labor/services with Microsoft every hour, and Microsoft giving him \$50 for it. From Microsoft's perspective, or better said, from the perspective of the particular department within Microsoft that decides to trade for Bruce's labor, it values Bruce's labor more than the \$50 it gives up every hour for it, and from Bruce's perspective he values the \$50 he gets from Microsoft more than all the other things he can be doing with his time. Again we see how both social entities move from an inferior to a superior state by trading. Next we can envision Bruce using his money, which he got in exchange for the labor that he *added* to the economic pie, to *trade* for and then *consume* cars, food, energy etc. from the economic pie. Thanks to the use of money and the wonderful workings of the system, it is as if Bruce trades the computer games he helped create for the goods he buys from society.

Just like companies can be profitable by producing more than what they consume, break even, or incur losses, so can individuals. If an individual produces more than he consumes he has created a profit and has therefore increased the economic pie. Let's assume Bruce saves \$500 per week from his \$2,000 per week earnings/revenue. During the week Bruce added about \$2,000 worth of computer programming services to the economic pie which Microsoft somehow ended up combining with the efforts of others to create the products/wealth it trades with society. We know that Bruce added about \$2,000 worth of wealth because that is what Microsoft *freely* traded for it. From this \$2,000 Bruce used \$1,500 to pay/trade for and consume wealth, so he has consumed \$500 worth of wealth *less* than what he added to the economic pie, leaving the economic pie larger by about \$500 worth of unconsumed wealth.

Bruce's \$500 in savings or profit can be seen as a future claim on \$500 worth of wealth in terms of cars, food, entertainment, tools, computer games, etc.,

If Bruce happens to be in debt that means that he has consumed more than he has added to the economic pie. For example, if Bruce borrowed \$100,000 dollars to pay for college, those \$100,000 led to the consumption of wealth needed to sustain Bruce while he studied, his car, food, energy, etc., as well as the consumption of wealth by the educational establishment that educated him and receives his tuition money, the professors, university staff, etc.

Profitability as a signal of progress

How do we know whether the planned actions of people lead to progress; that our actions lead to pie-increasing wealth and technological advancement as opposed to more pie-decreasing consumption or technological stagnation or perhaps even retardation as has occurred in various Communist regimes where society was far better off in the past. At the beginning of the book we envisioned a more utopian year 2050 and we know that to reach such a level of prosperity the human ant-farm will be ordered differently, how do we calculate our actions so that we know that they are steps in the right direction? Given the last few paragraphs we have just discussed we obviously do this by ensuring that all our actions lead to profitability. Let's go over another example that we'll build on in later sections.

Joe has an idea for a medical screening device that can be used to screen for 90% of all diseases known to man in about 5 minutes and describe a cure. All the patient has to do is stand inside a large refrigerator-like enclosure, and breathe into a small tube for 5 minutes. If Joe felt like manufacturing just one of his machines would cost 5 trillion dollars it means that every American would have to trade about half of everything they produced in a year in order to bring one of Joe's machines to existence, a machine which most people would not even be able to use. About 5 trillion dollars worth of wealth would be consumed by the thousands or millions of people employed in the process of creating this one machine. Would Americans or the American human ant-farm calculate that this was in its best interest? Would the production of all the other things that would have to be given up in order to produce this one machine be worth postponing? Would the restructuring of society needed to create such a device be a step in the right direction as calculated by the millions of Americans? Obviously not. And if some people felt like it would, the only way to bring this about if people did not willingly pay for it would be to coerce most of America.

Just like Bob's hole-making business idea discussed in the section entitled "The Natural Selection of Useful Knowledge", the market process would quickly put an end to Joe's idea or at least his attempt to create such a device. Joe's brain grew up and was molded in a market-oriented society and it would be smart enough to know that if the costs associated with producing item A were greater than what would be offered in exchange for it, then it is a bad idea to produce item A. If Joe attempted to create the device he would not have the money to bring it to creation, he would have wasted time pursuing something that could not be done as opposed to continue working in his regular job adding useful hours of engineering time. The modern world

is a descendent or outgrowth of market-oriented societies, societies that survived because they created the right incentives for the brains that made them up to act based on useful/productive knowledge. A social order that allows its resources to be squandered in projects that are not beneficial to growth and continued progress are overtaken by those societies that do a better job of discovering useful knowledge and letting it reshape society's structure.

Now let's assume that Joe's device can be manufactured for a cost of one million dollars per unit as opposed to 5 trillion. Let's assume that it currently costs \$50,000 and a wait of 3 weeks to conduct all the tests that Joe's new device can perform in 5 minutes. Assuming Joe charged the \$50,000 that it currently costs to get tested, people would still prefer it because they would only have to wait 5 minutes and it saves them a ton of time. Instead of wasting time driving and taking time off from work people could remain working and increasing the productivity and progress of the social order. Each of Joe's machines would pay for itself with just 20 customers. So at \$50,000 per set of tests Joe's machine would be a great benefit and improvement to society. In order for Joe to produce his screening device for a cost of one million per unit he needs to build a large manufacturing plant with an efficient assembly line making use of expensive and highly sensitive machinery and a highly trained staff of scientists and other staff. The costs of the manufacturing plant would be about 5 billion dollars.

Joe's 5 billion dollars will lure employees, raw materials and other goods from other possible lines of production towards the building of his manufacturing plant. How do we know that Joe's restructuring of the human ant-farm takes society from a less developed to a more developed or beneficial state? Prior to Joe's restructuring of the social order we could say that all of the resources that he will rearrange in the human ant-farm are worth 5 billion dollars to the human ant-farm. The employees, trucks, buildings, land, machinery, raw materials and so on, they are more or less worth 5 billion dollars because that is what he needs to offer in exchange for them. Joe calculates as follows, 5 billion for manufacturing plant and everything needed to manufacture and operate 1,000 machines all across the country. He is convinced that at least 10 million of the 300 million Americans and many foreign visitors from other countries will be willing to trade their \$1,000 in order to gain the benefits of using his machine. In order to serve the 10 million people, each of his machines would have to diagnose about 30 people per day which could easily be done since each use of the machine takes just 5 minutes. By diagnosing 10 million people at \$1,000 per customer Joe figures he will make 10 billion dollars in just the first year. So Joe will have taken about 5 billion dollars worth of resources from the human ant-farm and transformed them into something that the human ant-farm is willing to trade twice as much for, 10 billion dollars. His company would have consumed 5 billions dollars in terms of food, homes, energy, etc, as it engaged in the production of 10 billion dollars worth of wealth in terms of medical services, leaving the economic pie of wealth bigger by 5 billion dollars worth of wealth. And again, Joe uses monetary calculation at every step of the way.

Joe does not have to be concerned about whether his rearrangement of the human ant-farm is a better one for society, he could be an "evil capitalist" concerned only with making a profit. But it just happens to be the

case that in a market-oriented society, the only way to make a profit is by transforming existing resources from a less valuable state, as seen through the eyes of society, to a more valuable state regardless of the “niceness” or “evilness” of those making the profitable transformation. Market-oriented societies turn man’s innate greed and competitive instincts into motivation for production which benefits all members of society.

How wages are determined

A company or mini human ant-farm has a dynamic and fluid structure, or as commonly referred to by economists, a *structure of production*. People don’t just drive to work to move around in a chaotic way, there is a productive order. People move and act based on knowledge that will guide their actions in a way that will ultimately produce whatever product or service the company offers to the public for the money/wealth it needs to maintain its internal order, like the wages of employees, land rent and so on. This is no different than any other complex biological order that also needs to nourish its internal order. This means that companies have to produce enough wealth to trade for the necessary wealth they need to consume, which translates to the obvious fact that a company’s revenues have to cover its costs.

Once again let’s remind ourselves that companies and the actions of their members are really a complicated network of trades. We seldom realize this but when we are working we are trading. In a small restaurant servers might trade their table-waiting and customer service skills for \$3 per hour plus tips, the restaurant manager trades his managerial abilities for maybe \$12 per hour, the cook his cooking services for \$10 per hour and so on. Perhaps it would help to picture the employees as having small displays on their backs, showing the total amount of money the company trades for their services every second. Let’s call it a wage-o-meter, the higher your wage rate the faster the amount displayed in the wage-o-meter goes up per hour. The cook might start the day with a 0, after an hour it will read \$10, after two hours \$20, and so on.

Each trade that occurs in the restaurant is part of a transformation of matter that creates wealth as it also consumes wealth. In the morning, trucks bring fresh food that will be turned into meals, the value of the food as it stands in the truck’s freezers is smaller than its value once it is a prepared meal. The restaurant might have paid \$2 per pound of meat as it stands in the freezers, eventually that same meat will sell for perhaps \$6 per pound, but in order to increase in value, it still has many transformations to go. The cooks will have to prepare it, as they do so they are transforming the raw food into a more valuable meal. At the same time their wage-o-meters are going up as the restaurant pays them an amount that will be somewhat related to the increase in value/wealth they created by preparing the food. If the restaurant trades more wealth with the cooks than that which they add via their skill it risks running at a loss and potential bankruptcy, if it pays the cooks too little, the cooks might leave, be unreliable and lead to a less productive restaurant that also risks bankruptcy, but more along these lines in a second. After the meal has been prepared the waitress further transforms/relocates matter and creates more value by taking the meal from the kitchen, where it is less valuable to the consumer, to the table where it is more valuable for him. And once again the waitress wage-o-meter goes up by an amount related to the additional value she has helped create. We also want to keep in mind the

division of knowledge. At each step of the various transformations brains have knowledge that is specific to their tasks. The cooks have cooking knowledge; advertisers, delivery people, waitresses, and so on have more task-specific knowledge efficiently spread throughout their respective brains. The meal can be said to reach its full value of say \$12.30 once the customer pays and leaves.

As already hinted at, the wages of employees are more or less dependent on how their contribution to the overall productivity of the 'productive structure'/company affects the willingness of the human ant-farm to trade its money for the company's product. For example, if a waitress leaves the restaurant, the restaurant's service will be slower, it might be too busy now and the wait-time for customers increases and some customers will take their money elsewhere, the total revenue of the restaurant will be affected by a "certain amount". Assuming that the waitress did not leave, by hiring an additional waitress the service would improve, wait times would be smaller and probably revenue goes up by a "certain amount". The wage rate of a waitress will be more or less related to this "certain amount". The loss or acquisition of an additional manager or cook might have a bigger impact on the revenue of the restaurant and therefore their wage rates tend to be higher. A company will only trade money for labor if the additional revenue is at least enough to pay for the new employee's wage. If it hires an employee for \$2,000 per month but the revenue only goes up by \$1,500 per month the company suffers a loss and eventually has to dissolve itself into the human ant-farm. The employees will get other jobs by trading their labor with other companies, the restaurant's building will be rented or sold to someone else and so on.

The knowledge and actions of the employees, mixed with the ovens and tables and building, coordinate to create meals which the restaurant trades with the social organism for money which it will use to maintain its productive structure by paying its employees, land rent, equipment and so on. If the meals and service are not calculated by the larger social organism to be in its best interest, in other words, if not enough customers want to trade their money for the restaurant's food and service, the restaurant will lose money, it will have to offer less in exchange for the services of its employees in the form of lower wages. At some point the employees will realize that they can trade their services with a more productive and socially desirable company which does offer a product or service that the social organism is willing to exchange more money for. Employees leave the less productive structure and join other productive structures which are ordered in a way that does allow them to be self-sustaining or "alive" or profitable. They join other companies that are structured in a way that brings in more money than what the costs needed to maintain their internal structures are. This is just one example of how people, the employees, by just paying attention and guiding their actions based on how much money they can get in exchange for their services find their way into productive and socially desirable arrangements of people, guided by superior knowledge.

The restaurant could have been losing money because it was paying too much for employees. If when losing money it cut their pay and they didn't leave because no other companies would make the mistake of paying them too much, then the restaurant owner has simply found new knowledge. The employees were overpaid, and now that they are paid less the restaurant is profitable and self-sustaining.

Since the wages that a company pays are reflective of how much a company produces, the more productive companies who are reflective of a superior social order will tend to offer higher wages which lures employees away from the less productive companies once again helping to restructure the social order in a more productive way.

Companies also contain knowledge in their productive structures, knowledge that is in a way greater than the sum of its parts. All of the restaurant's employees more or less had experience at doing each of the tasks they now perform in the restaurant, the cook already knew how to cook, the waitresses already knew how to wait on tables and so on. But as they work together in this particular restaurant, although they each have knowledge specific to their respective tasks, the entire restaurant as a whole contains the knowledge that makes this restaurant work in the way that it does. We all know that you don't just hire an employee and they immediately blend with your company. Even if the new employee is very knowledgeable about his duties it still takes a little while to learn how your particular company is structured. There is also the knowledge that went into picking the location of the restaurant and more. It is this knowledge that I am referring to. And also unlike human beings who die, companies retain their productive structure indefinitely as long as they provide a socially desirable product or service and can therefore trade their product or service for enough money to maintain their internal structures 'alive'.

With the recent restaurant example in mind we should once again emphasize that society is one gigantic assembly-line where matter is carefully transformed from states that are less valuable to states where it is more valuable.

The locality of knowledge and impossibility of socialist central planning

If we zoom in from above into any section of the social order we are going to see people involved in cycles of production and consumption. Their actions are coordinated by knowledge and this knowledge will be specific to conditions that are highly local and time specific. For example, the people who run a restaurant in Wichita, Kansas at 2 pm on Nov 13th, 2008 need to understand the costs involved with all the things they need to orchestrate their cycle of production and consumption in Wichita, Kansas, on that date and not on Anchorage, Alaska on the same or different date. The so called "costs of doing business" will be different due to factors that are highly *time and place specific*.

If a loaf of sliced WonderGrains bread in supermarket WichiMart, located in Wichita, Kansas at 2 pm on Nov 13th, 2008 sells for \$2 it lets one know a tremendous amount of information that will be specific to that particular loaf of bread at that particular time and place. If we assume that WichiMart makes a profit by selling the bread, we know that the cost of the bread will be less than \$2. Let's assume that WichiMart profits 10 cents per loaf of bread sold at \$2 so its costs per loaf of bread are \$1.90. *The cost of something is an estimate of how much wealth had to be consumed in order to create it.* The \$1.90 lets us know about the costs, in other words, the amount of wealth that had to be consumed by a myriad of processes that had to happen in order for

the bread to make it to the shelf on that particular day and time. The grain had to be planted, harvested, processed, baked into bread which then had to be packaged, transported, placed in the store's shelves, and processed at the cashier. These processes, or at a more fundamental level, transformations of matter, involved consumption. People worked to make all of these things happen and they all got paid and consumed wealth as they did so and ultimately the cost of the bread is reflective of all of this consumption. Machines, tools and other things involved also wore down and were thus consumed or transformed into a less valuable or useful state reducing the economic pie. The costs of planting and harvesting the bread, or yet again, the amount of consumption that had to take place in order to plant and harvest the grain, are passed on by the local farmer in the price he charges for the grain that WonderGrains buys. WonderGrains then passes on the costs of baking and packaging the bread to WichMart which adds its own costs like the costs of energy to run the supermarket, labor, etc. At each step the costs and their impact on prices reflect and therefore sort of contain knowledge specific to local conditions. Why specific to local conditions? If the same loaf of bread is sold at a supermarket that is 1,000 miles farther from WonderGrains' location, the transportation costs will be higher, in other words, the amount of consumption that needs to take place to get the bread farther away will be higher. More energy will be consumed, more truck driver time will be needed and so on. There are labor and real estate costs that can vary from place to place and time, weather conditions like floods or droughts that can destroy crops and cause prices of grain to rise causing WonderGrains to buy more expensive grain from a farmer that is farther away. Does the manufacturer of the bread-packaging machinery fix broken equipment at that location, at what cost? These are just a few of the countless things that affect costs and are *local and time specific in nature*. The crucial thing to take away from this is that only the people who work and manage the WonderGrains in Wichita on Nov 13th, 2008 can capture all the necessary time and place specific knowledge needed to coordinate a delicate cycle of production and consumption that is profitable.

With this in mind we can already see how Communism/Socialism or a centrally planned economy is doomed to failure. The knowledge needed to coordinate production is spread throughout the entire social order. It is contained in the *prices* that free, profit-seeking individuals set, and such prices are constantly changing as the billions of minds in the social order react to ever-changing conditions, that once again, are local and time specific. No central planning authority could gather all the knowledge about costs in every corner of the world/country/state and then communicate how to act back down to managers.

Bureaucrats and the economically ignorant public easily envision people working and producing stuff, but they don't realize that all production involves a cycle of production *and* consumption. It is not enough to have people working and producing wealth. People have to work and produce *more* than they consume, and again, the only brains that are in a position to acquire such knowledge are the millions of free individuals spread throughout society that are in a position to, *and have the necessary incentives*, to gather all the time and place specific knowledge that is required to coordinate a profitable and therefore pie-increasing cycle of production and consumption. The people who are most likely to contain such knowledge are the current managers and

business owners who are already involved in profit/loss calculation in the specific places and times where they live. Nikita Khrushchev, who followed Stalin as head of the Soviet Union, is credited with saying “When all the world is socialist, Switzerland will have to remain capitalist, so that it can tell us the price of everything?”. Unfortunately for Khrushchev and other socialist ideologues, prices in Switzerland(or anywhere else) advertise knowledge about the productive structure of those particular places at specific times and is no good elsewhere. The only prices that accurately convey the necessary information are those set by free individuals using monetary calculation as they try to increase their profits.

Competition: The spreading of knowledge and superior social order across society and the crucial role that economic freedom plays

Let’s think about how a modern productive structure like an auto manufacturing company comes into existence. First of all, the automaker idea comes into existence in a brain or a group of them. As highly evolved creatures living in a market oriented society, we are always thinking of ways of increasing our production, we grow up and our minds are trained to want to make money and to do this we have to be productive so that we can exchange such production for the money we want to be rich. We could have grown up in another society where instead of putting values in a brain that encouraged working and enjoying large homes and comfortable cars and leisure, the cultural symbolism could have molded our brains to enjoy meditation in search for the inner self all day. But we are the cultural descendants of societies whose cultural symbolism encouraged reproduction, growing families, and these things required a culture of hard work and a desire to make money and this is something that is very much in the minds of most of us. Making money is all about rearranging resources to make them more valuable. It is about transforming the social order in ways that it produces more than it consumes, it is about being profitable. Let’s assume I am young and unemployed and watch TV all day. I would gladly exchange my hours of comfy TV watching time for money but no brain is willing to make this trade with me, I cannot steal the things I want because I live in a society that does not permit this, a society that has reached the level of prosperity it has because it has prevented theft and actions by its members that are detrimental to the social order. I need to find something else to offer for exchange or I will starve. So I transform myself from a couch potato to a human being that can show up to work on time, learn to do simple tasks, and do as I am told by a manager. I have transformed resources, myself, from something that had zero exchange value to something with some exchange value, this is usually good enough for an entry-level job at a fast food restaurant. As long as people cannot steal from others, market oriented societies motivate everyone to be productive.

After years of managing a SuperAuto car manufacturing plant Tom feels like he can create a car company that can make similar cars for $\frac{1}{2}$ the cost. This means that the productive structure Tom would create, based on his newly found superior knowledge, embodies a better arrangement of people and resources than the SuperAuto one he works for. Making cars for $\frac{1}{2}$ the cost means that Tom’s social restructuring will *consume* half as much while still *producing* as much, leaving the world’s economic pie bigger.

Tom feels like his car manufacturing company could make a great car that would cost \$4,000 to manufacture, while he sees that the current SuperAuto productive structure averages about \$8,000 per car in costs. Assuming Tom was successful in building his company and manufacturing the cars at that cost, Tom would have made the world a better place. He discovered a way of arranging people and resources in a better way. He would have improved the structure of the social order compared to how it used to be and we would be one step closer to the more utopian year 2050 briefly mentioned at the beginning of the book.

The progress of mankind is based on producing more and better products at a smaller cost and with less effort. Producing something at a smaller cost simply means that we have to consume less as we are producing as much or more than before. The more expensive to produce something is, the more wealth has to be consumed as wealth is produced. Building a car manufacturing plant is more costly than a lemonade stand because thousands of employees will be consuming cars, energy, food, etc., as they produce the plant, compared to the couple of sandwiches and water consumed by a kid while he produces the lemonade stand.

Let's assume that comparable cars are selling for \$10,000 and other manufacturers whose costs per car are around \$8,000 profit about \$2,000 per car sold. TomAutos begins to sell its cars for \$10,000 too and profits \$10,000-\$4,000= \$6,000 due to its less expensive/costly/consumptive productive process of only \$4,000. Since TomAutos' prices are comparable to the others, its cars will not be super attractive in comparison and TomAutos might be getting 5% of the auto market. Tom wants to sell his cars for less than the competitors so that he can sell more cars and make more money. For example, if TomAutos lowers its prices to \$7,500 its cars would now be 25% cheaper than competitors and let's assume that it would now get 75% of the car-buying public to buy its cars. Although TomAutos is now making a profit of \$3,500 per car sold as opposed to \$6,000, it is selling 15 times as many cars and therefore making a much larger profit. This small example helps us see why competitors lower prices to expand their market share and make more money.

As TomAutos lowers its prices the rest of society has more money left over to spend on other things thus enjoying a bigger economic pie: their living standards have increased. As people begin trading their money for Tom's cars instead of competitors, competitor's lack of revenue is a signal which lets their management know that the resources that make up their company are no longer being used as productively as possible. It lets them know that their arrangement of resources would be better employed in other ways that would actually lead to self-sustaining profitability instead of the losses they are now incurring. The reason why the resources they employ can be used better elsewhere is because TomAutos has found a better way of satisfying the needs and desires of the human ant-farm. The social organism has found new knowledge, and as customers trade their money for TomAutos's cars as opposed to cars from other manufacturers, the social organism is placing money, and therefore the means with which to morph the social order in the hands of the minds that have the best knowledge, Tom's and his team. Even though the millions of brains in the human ant-farm are only concerned and excited about the new cheaper cars they can afford they are actually performing the social organism's calculations. By giving their

money to Tom's company they are selecting his superior knowledge and placing in his hands the money and therefore resources needed to further expand his superior productive structure and at the same time they are communicating to Tom's competitors, via a lack of revenue on their part, that they need to restructure themselves or sell off their assets to those that can best use them. Money, and again, the ability to restructure the social order, are being pushed closer and in control of the minds that can best restructure society and is being withdrawn from the less productive ones (other car makers).

The managers of other car companies would be smart enough to realize that the reason why they are losing money is because new and superior car-making knowledge has come into existence. This would motivate them to learn from TomAutos and therefore spread the superior knowledge embodied by TomAutos across their companies as well. So one can see competition is a mechanism that spreads superior knowledge and the subsequent social order that emerges from it across all of society. At the very beginning, when a company comes up with a great new idea, it might make a very big profit, but as competitors copy that knowledge they too can lower their prices and compete. As they lower their prices to compete with each other for market share what began as large profits become large savings and a bigger economic pie for the rest of society.

In order for this wonderful competitive process to work, people have to be free to spend/trade their money/wealth the way they want. Whenever a customer chooses product A over product B because he obviously feels like product A makes his life better, he is not just making his own life better, he is helping society perform a crucial social calculation. By giving his money to company A he is helping nourish the superior social order that is guided by the superior knowledge embodied in company A, and at the same time, by withdrawing funds from competitors B, C, D, and E he is forcing them to copy the superior knowledge embodied in company A so that they too can restructure their social order to be just as efficient. Competitors can also come up with superior or comparable ideas of their own, sell their companies to company A so that the management team in company A now takes over and restructures their less efficient social orders to be just as efficient, or they can just sort of go bankrupt and sell their assets so that those assets can incorporate themselves into the rest of society, into other more profitable and therefore more productive plans instead of being part of companies that are now losing money and therefore reducing the economic pie.

If there is no freedom to either choose from competing alternatives, or to go into business to implement more profitable and therefore superior rearrangements of society, there is no way to spread the necessary knowledge needed to sustain, and much less expand, the social order. In the next chapter where we discuss government or the public sector we will see how since the public sector is a monopoly immune from competition, its social order inevitably becomes a gigantic consumptive cancer that consumes much more wealth than it produces and spreads unproductive social chaos as opposed to productive social order. But more along these lines later...

Some companies will be successful at replicating or surpassing the superior knowledge that led to Tom's success. Perhaps they hired some of Tom's employees, reverse engineered some of his cars, visited Tom's plants

and were able to copy or improve upon Tom's superior ways. Some other companies were too slow to do this or attempted different restructurings that ultimately led to inferior products, products that the millions of brains in the human ant-farm did not feel were as good as the alternatives. The owners of these companies decided to cut their losses and sell their assets, they did not feel like they had knowledge that if implemented would lead to continued profitability and therefore useful employment of the resources under their control. Since they did not possess this knowledge they decided to sell their buildings, factories, and other assets to the human ant-farm, to the thousands of brains who would incorporate these assets into their productive, profitable, and therefore socially beneficial plans. Let's say that Magic Autos was one of the competitors whose owners decided to sell their assets. Another thing that could have happened is that Magic Autos simply went bankrupt because it could not pay for the loans it took to pay for the various assets it used, like a mortgage or rent on a factory building. In this case Magic Autos' assets would now belong to its creditors and it would be the creditors selling off the buildings and equipment utilized by Magic Autos. Let's assume that this was the case, Magic Autos went bankrupt and that its former assets are now controlled by its creditors like the banks and lenders that loaned Magic Autos money. If Magic Autos' managers and employees had a hard time making a profitable use of all of their combined resources, their creditors will have less of a clue since they are not in the car-making business and therefore they will most likely try to sell them off to the highest bidders. During the selloff, or liquidation phase, what happens is that resources which were part of a plan which was no longer calculated by the millions of brains in the human ant-farm to be in their best interest (expensive cars compared to Tom's), will be placed in the control of brains who will incorporate these assets into their useful and profitable plans. Magic Autos' assets will be sold to the highest bidders. Selling the assets to the highest bidders ensures that the assets will be in the hands of those whose plans are the most profitable and therefore the most productive and beneficial to society. We would not want a building previously in the control of Magic Autos to be sold for 10 million dollars to a large furniture store which society would trade 5 million dollars for the products it would ultimately offer, when the building could be sold to Joe for 20 million and he could use it to create his wonderful medical device which society would value more, which would be reflected in society's willingness to trade 10 billion dollars for the services offered by Joe's productive structure. By selling the assets to the highest bidder not only do the creditors rightfully get as much money as possible, but also the assets are placed in the control of the brains that have the most profitable and therefore pie-increasing plans.

As previously mentioned society as a whole can be seen as a large super-computer that is made up of many smaller computers, individual human brains. Each brain in the social order is constantly looking for ways of restructuring a section of the social order in a way that it produces more than it consumes, therefore making a bigger profit so that each one of us can have more wealth and have a better life. As prices continuously fall, new profitable ideas arise and spread via competition in an endless cycle of knowledge generation. For example, there was a time when computers were very expensive, but thanks to competition, prices of computers constantly kept going down until at some point people realized that every home could have them which eventually gave rise to the Internet. And then things on the

Internet kept getting cheaper to the point where most of us have free e-mail and many of us don't even bother deleting our messages, right?

Instead of looking at competition as being the mechanism that spreads more profitable ideas, it could also be seen as the system that spreads cost-cutting ideas, which is obviously the same thing as more profitable ideas but perhaps a small change in language can help some people better understand. Everyone is looking to cut costs so they can have more left over, those who do, thanks to competition, incentivize everyone else to do things as efficiently and cut costs too, and this is how efficiency spreads throughout society.

The key role that prices play in conveying information cannot be stressed enough. As already mentioned, prices in the free market give us the best possible measure about the costs or consumption involved in the production of wealth. They also allow people to determine whether their knowledge can lead to profitable rearrangements of the social order. Businessmen are constantly looking at prices, seeing if they can come up with a different combination of inputs to create a more profitable product or service, in other words, they are constantly looking to cut costs. Let's say that a group of people create a steel manufacturing company (BetterSteel) that can produce steel for 33% of the cost of the average competitor. Again, this means that they can produce as much steel as your average competitor while consuming only a third of what their competitors consume thus leaving the economic pie 66% larger than a competitor would. Since they can produce steel cheaper they will be motivated to sell cheaper than competitors so they can sell more and make more money just like Tom did with his cars. The lower price now enters the minds of people who use steel like TomAutos and other businesses. TomAutos and other social entities that use steel now have to trade less wealth with BetterSteel than they used to, i.e. they pay a lower price for steel. The cars that TomAutos makes can now be seen as incorporating into their designs the superior knowledge embodied by BetterSteel, so we can see how prices help build and continuously improve the highly complex products that make up our modern social orders.

We have just seen how new knowledge inevitably spreads and restructures the social order in more productive ways. At any point in time, the social order is structured to produce things a certain way, given that people are always looking for cheaper and better ways of producing whatever products or services they create in order to increase their profits, we should expect prices to continuously fall and quality to rise. Tom's example showed how this happened in the auto industry, the same thing can be said about today's computer industry where the prices of computers and laptops go down and the quality improves. Competitors are always learning from each other and therefore restructuring their respective mini social orders to act based on the best knowledge that has arisen in society. This competitive-knowledge-discovery, spreading, and subsequent social order shaping mechanism occurs in all industries. We all automatically benefit from the continuous drop in prices and increase in quality of products and services offered by the auto industry in the way of cheaper and better cars; the consumer electronics industry in way of cheaper and better TVs, stereos, MP3 players, etc.; the travel industry in way of cheaper and fancier airplanes which lead to cheaper flights, etc.; and on and on throughout every industry. This is

what people who understand the market process should expect. We should expect things to get cheaper and better all the time across all industries.

Banking and lending

The emergence of the institution of banking was another great improvement in the way a social order works, and those societies that stumbled upon banking and used it effectively further increased the rate at which the many brains in society created more profitable knowledge and restructured their actions accordingly, leading to superior growth compared to other societies where banking did not evolve or failed to assimilate it. Banking is an institution that exists in every modern country which is further evidence of the fact that it had to provide an evolutionary advantage to the societies that used it over those that didn't. Ok, I should not say that just because every country does something a certain way means that it has to be good for their societies. As we will discuss later, most countries use a bad banking system which leads to theft and distortions of the productive structure of the human ant farm like Alan did, but more on this important topic later.

Banking started out as a way of storing money in a safe place. If someone broke into your house they could take your pocket money but not your life savings which were safe in a bank. So one of the main benefits was a decrease in the incentives for crime and the social damage it creates. When we think of The Wild West and Western movies, the robbing of a bank and getting to the safe is a common theme. It would be very costly for every person to buy a safe and it was cheaper and better to make use of a very good one that the banker would employ. A single good safe could house the deposits of many people instead of having everyone have their own expensive safe. A bank that had branches in different towns also made it possible for someone traveling to take a deposit slip, issued by the bank where you deposited your money (gold or silver) showing how much money you had in the bank, to another branch location in another town where you could get your money. This way you could also travel without carrying around lots of money, once again reducing the incentives and socially damaging effects of crime. This is how paper money first got popular. People would trade the bank notes they had instead of the real gold or silver that the bank notes represented.

The emergence of the lending industry provided another great boost to the social orders where it arose. A human ant-farm has many brains, most of them constantly thinking of ways of being more productive, looking for more efficient ways of performing their current tasks or producing new products which they feel others will want to trade their money for. More often than not new ideas, and especially those that are very beneficial to society, involve making large rearrangements of resources in the social order. For example, a lemonade stand business requires a small rearrangement of the social order. It is something that small children can coordinate and involves few resources (lemons, water, ice, table...) which can be obtained using the savings of a single person. A modern and competitive car-manufacturing business requires a more substantial rearrangement of resources from the human ant-farm. Lots of people will have to be hired for a long period of time, buildings and complex machinery will have to be built and so on. The bigger the project and the longer it takes to produce its product the more wealth needs to be consumed for a longer period of time while production takes

place.

When discussing inflation we briefly mentioned how money is what is used to rearrange resources in the human ant-farm. Alan caused a large rearrangement, a rearrangement of the human ant-farm which was detrimental to its members, they worked hard to create him a castle and all they got in exchange was higher prices and less goods for it.

If there was no lending industry Joe would never be able to save the 5 billion on his own. Without a lending industry, newly found useful knowledge like Joe's invention, and the better restructuring of the social order that would flow from it would be limited by the relatively few resources that can be obtained by the savings of a small number of people, and valuable time and resources would also be wasted in matching those needing the resources with those willing to do the lending. The knowledge that resides in Joe's brain, which would lead to a better restructuring of the human ant-farm would be unable to do so. Joe would have to find someone who already had 5 billion to lend. Once again let's picture the social order from above, there is a brain that needs 5 billion dollars to carry out an improvement of the human ant-farm, there is another brain somewhere else that has the 5 billion, how do they find each other efficiently? What if there isn't a single person that has the 5 billion, or the ones that have that kind of money have already lent it to other people? There are many people in the world whose savings in total could be more than 5 billion but they are held in small individual accounts. Joe could place an ad in the newspaper looking for people to lend him the money and spend the rest of his life trying to raise the 5 billion. This is the problem the finance and lending industry solves.

Lending allows many more useful ideas to restructure the human ant-farm which would otherwise not have been able to do so. When a new idea comes into existence it is not limited by the relatively few savings controlled by the brains closest to the person discovering the new knowledge, it is now limited by the total amount of savings the human ant-farm is willing to lend it via the institution of lending. With lending, as soon as a new idea comes into existence it can use the savings of others and quickly apply this new knowledge to transform the social order into a better one. This provides a great advantage compared to societies that don't have a lending industry.

Given that banks are a place where people stored their money, it came naturally for the institution of lending to be closely tied to that of banking and most of us see banking as performing both functions, keeping our money safe, lending us money, and giving us incentives to lend our money via CDs, investment funds, free checking, online account management services, debit cards and so on.

So lending is great and we can see how it further enhances the progress of the human ant-farm, but how do we decide who gets to use the money that is saved? It should be obvious to realize that it is in society's best interest that superior ideas and productive plans be paired with the resources needed to implement them. Societies that lend their saved resources to good ideas like Joe's will grow more prosperous and powerful compared to societies that squander their resources by making them available to someone like Bob so they can implement their silly or destructive ideas. The efficient pairing of savings and socially beneficial ideas is where interest rates play a key role and

will be discussed next.

Prior to discussing interest rates let's observe a few things that happen when you save and invest by lending your savings. First is that in order for there to be savings there needs to have been previous production. Mark the fisherman first had to produce a fish before he could save some of it. By saving, one increases the economic pie because one is consuming less than that which has been produced leaving a surplus/profit/savings. In a money-using society, prior to saving, you produce and trade your product/labor for money, and then you save some of your money by not trading all of it back for wealth from society therefore leaving the economic pie bigger and your pocket with the saved cash. Second is that when you save and then lend your money, you are giving up your ability to consume or alter the structure of the human ant-farm and giving that ability to whoever borrows your money. For example, by saving and lending your \$20,000 you are giving up your ability to use the \$20,000 to consume and transferring that ability to the borrower who can use the money to consume wealth.

Sometimes when you spend your money you spend it in ways that lead to pure consumption, like buying food, clothes, TVs, flights, etc. These are things that are used up and cease to exist or are transformed in a way that causes them to lose their value, they are consumed and therefore the world's economic pie is reduced. This type of spending leads to pure consumption. A third point we want to keep in mind is that when you lend your money whoever borrows it has to pay it back and therefore has to use your money in production as opposed to consumption. Whoever borrows your money can't use it for travel and leisure because he has to pay you back, therefore this person has to use it for productive purposes so that he can exchange whatever he produces for the money he will use to pay you back. Actually, they can use it to go on vacation and so on, but the bottom line is that in order to pay you back they need money, and that money comes into their control the only way it can in a free-market economy, by producing something and increasing the world's economic pie, and then trading that produced good or service for money which they can then use to pay you back. So when you lend money the borrower is forced to increase the economic pie by an amount at least equal to the size of the loan plus the interest agreed upon as opposed to decreasing it by consumption.

Interest rates

Picture a mining company that has costs of 1 million dollars and revenues of 1.5 million dollars. We could say that about 1 million dollars worth of wealth are consumed from the economic pie as every laborer/supplier/contractor associated with the company uses this money to consume cars, homes, energy, etc. As this consumption is taking place the company produces 1.5 million dollars worth of wealth in terms of raw materials used by other companies. With this example in mind we continue.

Every social entity, whether it'd be a company or an individual has a number that describes the relationship between how much it produces and how much it consumes. This is what is commonly referred to as the return on investment or ROI for short. The mining company consumed 1 million dollars worth of wealth but it also produced 1.5 million dollars worth of wealth

for a return on investment of 50%. It managed to grow the economic pie by 50% more than that which it consumed.

Ideally we would want every person to be guided by the knowledge that had the highest return on investment, this way the economic pie would be growing as fast as possible. One way the market process achieves this is via the interest rate.

An interest rate can be seen as the price a borrower pays for the use of wealth he does not own and is usually expressed as a percentage of the amount loaned. For example, if I borrow \$1,000 for a year at an interest rate of 10%, at the end of the year I would have to pay back the original amount of the loan (\$1,000) plus 10% of the original amount loaned ($1,000 \times 0.10 = 100$) for a total of \$1,100. The higher the interest rate someone is willing to pay on a loan, the more incentive people have to lend this person money.

Let's say I have \$10,000 saved and Mike and Gina would like to borrow the money, Mike is willing to pay me 20% interest and Gina 10%. It is in my best interest to lend the money to Mike. Both Mike and Gina have knowledge in their minds as to how they are going to employ the money I lend them, both need to put the money to productive use, something that will enable them to offer a good or service of enough value to the human ant-farm to earn enough money to pay me back with the added interest agreed upon. Their ability to offer me a high interest rate is representative of how beneficial to the social order is the knowledge in their minds. Mike wants to use the money to set up a tree and branch removal business. We just had a hurricane pass by and the human ant-farm is showing its desire to have trees removed from inappropriate places by offering lots of money in exchange for tree-removal services. Mike is confident in his observations of society's needs and feels like he can use the \$10,000 to buy the necessary equipment and get him started in what he feels like will be a very profitable plan of action. Profitable enough to pay me back on time with the 20% interest, a total of \$12,000 after one year. Gina wants the money to open up a coffee shop, she feels like her coffee shop will be a successful rearrangement of the social order, in other words, she will be profitable, but not enough to pay back the loan with anything more than 10% interest. Mike's knowledge will lead to more profitability because society will value his contribution more than Gina's. And how do we know that society will value Mike's knowledge and contribution more than Gina's? Because society will trade more of its money for his services and that is what leads to more profitability for Mike as opposed to Gina and thanks to his higher profitability he can offer a higher interest rate for my loan. By lending the money to the person offering the highest interest rate, not only am I benefiting myself, but I am allowing the plan that is of most use for society to be carried out, Mike's plan as opposed to Gina's. Without having to know anything about either Mike's or Gina's plans, by offering my money to the one willing to pay me the highest interest rate I have contributed to the most efficient calculation and distribution of resources in society.

Let's go over another example that also shows how banks and lenders make their money. Let's say that through the years Tim has managed to produce one million dollars worth of wealth more than that which he has consumed, so he has saved 1 million dollars. Tim has an idea for an auto-repair shop that he feels will have a return on investment of 6%. At the end of the year his business will have consumed about a million dollars worth of

wealth from the economic pie, but at the same time it produced \$1,060,000 worth of wealth in terms of auto repair services for a profit of 60,000 dollars which is 6% of his 1 million dollars. Next let's assume a bank is willing to offer Tim an 8% return on investment if he lends them his money so Tim chooses to lend his money to the bank. The bank takes Tim's 1 million and lends it to EasyPhone Inc at an interest rate of 10%. At the end of the year the bank gets back \$1,100,000 from EasyPhone, pays Tim his \$1,080,000 and gets to keep the \$20,000 difference as a profit. This is how banks make their money. They borrow at a lower interest rate, re-lend the money at a higher interest rate, and keep the difference as a profit.

The wonderful thing that has just happened here is that the saved wealth that would have sustained an idea that would have grown the economic pie by 6%, has instead been used to sustain an idea that would have grown the economic pie by at least 10%. If we assume that EasyPhone had sales revenues of \$1,250,000, in this case the economic pie would have grown by 25% instead of 6%. The economic pie would have grown by over 4 times as much in the same amount of time.

At any given moment there are many people with good ideas in need of more resources than those currently under their control, the perceived usefulness of such ideas will be reflected in how high an interest rate they are willing to pay for in the loans they take. Society is better served if people with the most profitable ideas who are willing to pay the highest interest rates get the money and resources they need. The institution of lending and the special role the interest rate plays are what calculate who gets to put society's savings to use in a way that maximizes growth. But it gets much better, not only does it channel savings to those who hold the most profitable knowledge, it gives incentives to those whose knowledge is less productive to lend their savings to those with more productive knowledge. This is what happened when Tim decided not to open his auto repair shop and lend his savings to the bank which would find a more profitable and therefore pie-increasing use for it. Let's assume that the average interest rate across society is at around 5%, this means that millions of brains that have ideas that can grow the economic pie anywhere from around 1% to maybe 5% will choose to abandon those inferior ideas and lend their savings to people that have ideas that can grow the economic pie by greater than 5%. So thanks to the interest rate and the banking/lending/finance industries, one can see how the human super computer is clicking on more cylinders, as wealth is always being paired with ideas that can grow the economic pie by the greatest amount possible. Inferior ideas are always being abandoned so that the wealth that would have sustained their social rearrangements can instead sustain more profitable ones, thus helping the economic pie grow faster.

Prior to Joe's great idea for his new medical device the social order had a certain structure. Billions of people were moving around doing things in the process of other restructurings and so on. When Joe first thought of his invention it was too costly to make. The necessary restructuring of society needed to bring his invention into existence would not have been a good one for society at the time. Let's remember that when Joe first thought of creating his machine it would have cost 5 trillion dollars, which meant that about half the income of everyone in the USA would have to go towards his project. The millions of Americans would not have made this trade, giving half of their

money to create Joe's machine at the time would not have taken them from a less beneficial to a more beneficial state so they would not have gone for it. As Joe learned more and perhaps the technology or means that existed in society changed, Joe came up with new knowledge, a different and cheaper way of creating his invention. Joe went to a bank/lending/finance institution to get the money. The lenders would have to employ some of their minds to check whether Joe's knowledge is really useful or not, it could have been Bob asking for 5 billion in order to create a huge hole-making machine with fancy diamond tipped drills that could drill holes on just about anything. The lenders serve as a check on the usefulness of the knowledge that is going to be put in control of so much money and resources. It is in the best interest of the lenders to ensure that Joe's knowledge will lead to a successful and therefore profitable rearrangement of the social order. Joe and the lenders reach an agreement, the lenders tell Joe that they will have the money for him in a month and Joe agrees to pay 10% interest on the loan. The lenders contact other lending institutions and borrow money from them, say at 7%, they also advertise to as many people as possible that if they lend them their savings they will get a 7% return on their loans. Most other banks and lenders are currently offering the general public 5% interest rate on money loaned to them so at 7% people flock to Joe's lender to lend it their savings. There are people like Tim who instead of using his money to restructure a small part of the social order to create his auto repair shop in a way that would yield 6% now lend their ability to transform the human ant-farm to Joe's project which will be much more socially desirable. There is also a wealthy investor, Carl, who instead of lending money to John, who wanted to build a small plane manufacturing plant which would have yielded 6%, now lends his money to Joe's lender because he can get a higher return on his investment by doing so as opposed to investing on John's knowledge and plans. Had John acquired the necessary financing from Carl, he would have hired builders, engineers, bought raw materials, and have restructured the social order in a certain way but he did not get the financing, the money was placed under the control of Joe's brain to implement his more socially beneficial plan. It is important and amazing to realize that neither Tim nor Carl, nor the countless other people who would now find it in their best interest to lend their money to Joe's lender, have the slightest clue as to how all of them are performing the social organism's resource-allocation calculations and are cooperating in the carrying out of Joe's more profitable plans. The superior and more beneficial knowledge was matched with the money/wealth it needed to restructure the social order in the most profitable and therefore pie-increasing way possible.

Having discussed economic competition and interest rate coordination we can once again get a feel for how the market process coordinated social order is one gigantic social supercomputer that puts resources under the control of the brains whose knowledge and plans are the most beneficial to society. Thousands of people altered their plans in a way that enabled Joe's superior plan to go ahead. This calculation was not done and could not be done by a single brain, it was done by all the individual brains each calculating the return on investment of their productive plans compared to simply lending their money. Unknowingly they were deciding whether their plans or Joe's were better for society. Joe hired people, bought raw materials, perhaps some of the very same engineers and builders that would have worked in John's plane manufacturing plant ended up working for Joe. Actually let's

imagine that through an unlikely twist of fate even John now ended up working for Joe. Joe was able to do this because the money, and therefore real goods and services that can be exchanged for it and which would have been employed in some other way, was now placed under his control.

How living standards rise

How can we be sure that as companies and individuals are more profitable and the economic pie gets bigger and bigger that even the poorest members of society get a bigger slice of material prosperity? Easy, imagine you're in a shipwreck and end up on an island that has 100 inhabitants and that each one of them has a magical device that transforms dirt into food by just pressing a button. Next let's say that Dan, one of the islanders, wants your help building a boat and that Mike wants your help to building a house. In order to lure you to work on their projects they will have to compete against each other by offering you greater and greater amounts of wealth. Dan tells you "I'll give you all the food you want as long as you're working for me." From Dan's perspective, he is trading something that costs him next to nothing, the use of his magical machine, for something he values more, your help building his boat. This trade is in his best interest and also in yours since you need to eat to go from the inferior hungry state to the superior well-fed state. But then Mike says, "I'll let you use my food machine whenever you want while you help me and for a month afterwards". Similarly to Dan's thinking, from Mike's perspective letting you use the food machine costs him very little so he easily increases the amount of wealth he is willing to trade for your labor. Next Dan tells you "I'll let you use my food machine whenever you want and when you finish helping me create my boat I'll help you build a boat as well.", so one gets the point. Mike, Dan, and many other islanders who could also use your help have to compete with each other and offer you greater quantities of wealth that will ultimately be reflective of how profitable their respective plans will be. If one businessman needs your labor to produce one million dollars worth of wealth while another needs it to produce \$100,000 worth of wealth the one that expects to produce the one million would be able to offer you more.

Something similar happens in society, the wealthier society is, the more wealth employers will have to offer in exchange for labor as they compete with each other to complete their profitable plans. This is why as the economic pie gets bigger, the increasing wealth inevitably has to be offered in exchange for labor. Labor is an ingredient like any other needed in any profitable transformation of the social order. The more wealth exists, the more wealth has to be offered in exchange for those things we need in order to complete our pie-increasing profitable plans due to competition by other businessmen.

With this in mind, we can just focus on things that increase the economic pie as quickly as possible without worrying about how everyone will do or how the wealth will be "distributed". The bottom line is that the more wealth society creates the more wealth everyone will tend to have.

Companies/'social orders' as tools

The social order can also be seen as a tool, kind of like a robot that works to create wealth for human beings. When a person integrates into the economy by working/trading the person is using the robot to achieve infinitely more than the he could without the robot. For example, I can flip burgers for a month and use the money I earn to buy a computer that would have been impossible for me to build on my own. So the robot(the entire human ant-farm) is an incredibly useful tool. My right or ability to use the robot can be seen as the money I have earned by previously working and contributing to the robot's functioning. When I spend my money I am interacting with the robot to get what I want from it and at the same time I am helping fine-tune the inner workings of the robot by giving my money to some parts of it and not to others(which is my contribution to the competitive knowledge discovery mechanism).

The robot has a certain efficiency, or ability to produce wealth for people. Let's assume the average human being living somewhere in medieval Europe in the year 1,000, spent 70 hours on a given week working the land and was able to exchange his labor for enough money to eat 20 meals. A "poor" person working for minimum wage at the present time in the US makes \$7.25 per hour and if this person works 70 hours he will have \$507.50(we'll forget about taxes for now). With the popular "dollar" menus at most fast food restaurants our American worker can get a burger, fries and a drink(with free refills☺) for about \$3.20 which means he can buy about 158 meals compared to 20 in the year 1,000. And let's also keep in mind that the 21st century fast food meal will be a better tasting and more sanitary one, served in a nice air conditioned building with no need to cook it or clean up afterwards. But let's forget about all that and just stick to the number of meals, 158 compared to 20. This is almost 8 times more food in the present compared to the year 1,000. This is because the human being in the year 1,000 was using a less advanced tool, a less productive and technologically advanced human ant-farm. It is like a farmer who farms by hand and one that uses a modern tractor. We tend to refer to technology as gadgets but technology can be seen as the continuous concentration of productive knowledge and social order. When one uses a supermarket as opposed to growing your own food you are using a productive structure, a tool, the supermarket, no differently than using a hammer to hammer a nail compared to pounding it with a rock.

Companies can be seen as tools, they are technology, just not concentrated into a lifeless physical object. Justin, a teenager with few skills and thus low productivity can try to make money by cutting lawns. If he has no tools and only uses his hands his production of well-groomed lawns will be very slow so he would get little money or wealth in exchange for his labor. By buying a lawn-mower he has greatly increased the rate at which he can produce well-groomed lawns and thus the rate at which he can trade them for money and thus make more money per unit of time spent working. He has increased the productivity of his labor. The lawn-mower was created and available for a low price thanks to the efficiency and technology the social order has managed to produce. Next Justin realizes that he can make more money by working at an auto-repair shop, so now instead of using the lawn-mower as a tool to increase his production of well-groomed lawns, he is using an entire auto-repair shop with its expert mechanics and expensive tools to

help produce auto-repair services. If Justin were to get a job at a McDonalds he would be using McDonalds as a tool to help produce hundreds of meals per day. McDonalds in turn trades or uses many companies as tools to help it be more productive which also helps the teenager be more productive as well. Companies can be seen as using employees to help drive or operate the tool/machine/company so that it can be more productive. *At a more fundamental level you have orders trading with each other, creating more wealth, which can then sustain more order.* So whether we look at our social orders as tools or robots we interact with, one can see how the continued efficiency and productivity of the social order helps each of us be more productive as well.

Let's remember the basic fact that working is just trading. When we work we produce and increase the world's economic pie by our labor and then we trade this labor for money which we then trade for the wealth we consume. The reason why we "get jobs" or trade our labor with other companies or social orders is because we inadvertently use these companies as if they were tools to help us be far more productive than we would otherwise be. When people look for work and employers look for employees, potential employees can be seen as looking to use the tool or company which helps them be the most productive, which will most likely be the company that pays them best; it can pay them best because as best as anyone can tell, this person's skills, circumstances, and many other factors, combined with the productive order of the company leads the company's management to the decision that this is the best person for the job. Companies/people are always willing to hire or trade money for someone as long as the additional revenue or production they can get by integrating the employee into their business is greater than what they have to pay the person in exchange. I keep talking about companies doing the hiring, but again, employing is just trading and it could just as easily be a single person doing the hiring/employing/trading. Right this second I could hire/employ/trade with someone, say Tammy, for one dollar per hour to be my personal assistant and do my laundry, dishes, errands, etc., but Tammy would not be willing to do this because there are other companies/people/orders which can trade for her labor and incorporate it in a more productive way and thus pay her more than \$1/hour. I would be a less productive tool which Tammy would not want to use given her alternatives.

There is one vitally important difference that must be pointed out between the human ant-farm/tool/supercomputer of the year 1,000 versus today's. Today's human ant-farm has over 7,000,000,000 (7 billion) brains compared to the 300,000,000 (300 million) brains of the year 1,000. That is 22 times more brains in the present compared to the year 1,000. The more brains the human ant-farm has the more powerful and productive it becomes. Every time a human being incorporates himself with the human ant-farm by trading with it, not only does he gain the benefits that it brings but he also makes it a little smarter and more powerful so that the next person who joins and trades with the human ant-farm gets even more productivity from it and further increases the functionality of the human ant-farm for the next person to use and on and on and on. This is something that reality easily verifies. We have a vastly larger amount of people in the world and at the same time every human being is more productive and can enjoy a bigger and better slice from a constantly increasing economic pie. This continuous smartening and increase in productive capacity of society is something completely foreign to our instincts, and as will be discussed later, is the key to overcoming our fear of

running out of natural resources as well as environmental concerns. During our millions of years of evolution our minds have been shaped to deal with a zero-sum world where other people's losses were our gains and we were limited by the few resources replenished by our natural environment, and natural selection selected for plenty of violent tendencies to make sure we got a piece of that small pie. Our productive plans were limited by the intelligence of a few minds making use of the simplest of tools. Fortunately this is no longer the case.

What we have just discussed should once again help us realize that there can be no "exploitation" of labor. Even if given our human nature, a manager or business owner might enjoy or derive pleasure from paying someone less so that he can enjoy more, such "greedy" or "evil" mentality cannot be maintained because the increasing amount of wealth that other employers around him are generating and inevitably offering in exchange for labor, will lure away his "exploited" employees. So the key to higher wages and material prosperity for employees, is the increased productivity that inevitably comes as the market process rearranges humanity into increasingly productive states, and not asking the government to simply take from the haves to give to the have-less, but more on that later.

Bringing the future closer: the effects of, and importance of saving

We have already discussed some of the role that savings plays while discussing interest rates, banking and lending. The money saved and invested by those who lack ideas whose rate of return is greater than the current interest rate, becomes the money borrowed and spent by others that do have ideas that are more profitable than the current interest rate. This way, money is always paired with and enabling the carrying out of the most productive ideas/plans/'rearrangements of the human ant-farm'. As this happens the human ant-farm constantly morphs itself into increasingly more productive and technologically advanced states, increasing the rate at which it transforms matter into wealth, increasing the economic pie, which eventually has to be offered in greater quantities to labor as people/businesses compete for such labor in order to continue their productive activities. This is the essence of the progress of mankind, it is wonderful and it gets much better when we understand the effects of saving.

Imagine a man stranded in a deserted island who needs to catch a fish per day on average in order to survive. If he spends 3 days gathering the necessary materials and building himself a net he will be able to catch 3 fish per day instead of one. If we compare the two states of this simple single-ant human ant-farm, the state after the man has built himself a net is more technologically advanced and productive, it would be a world with a more efficient matter-into-human-usable-wealth-transformation structure thanks to the net; a world where it takes less human effort to achieve the same level of production than it used to. In order to get from his original state to this more productive state he will need to save 3 fish in order to stay alive/'maintain his orderly structure' during the three days it will take him to build his net. So for several days he either works harder and saves the additional amount of fish he might catch during the day, or he reduces his consumption and goes a little hungry in order to save. After he has saved 3 days worth of fish, he can then

embark on the morphing/rearrangement of his productive structure by gathering materials and building his net as he consumes the 3 fish he had saved. By saving and then investing he has transformed his state from a less productive/‘technologically advanced’ state to one that is more so. The man could have chosen to save at various rates, if he saved one tenth of his single fish daily catch, it would have taken him ten days to save one fish worth of food and 30 days to save the total needed to fund his transformation. If he increased his rate of saving to $1/4$ th of his daily catch, it would have taken him 4 days to save enough for one fish, and 12 days as opposed to 30 in order to save for all three fish. By saving more he would have brought the more technologically advanced future closer to his present, in a way accelerating the rate at which he progresses. Whatever other ideas for the improvement of his condition he might have in the future, he will be able to save the necessary amount of food and carry out such improvements much sooner thanks to the fact that after he has his net it will take him less time to save for further investments/transformations. In other words, he would be moving into a more technologically advanced future faster.

Let us momentarily step back and see things from a more fundamental level. The man needed to maintain his homeostasis, his continuous consumption while he went about creating the net which was not producing him any fish as he was building it, and it is for this reason that he needed to save. Having discussed how savings and investment work at a single man solitary economy let’s see how it affects the modern human ant-farm.

If there is little savings there is little wealth available for lending, if people did not save money, there might not have been enough savings to fund the necessary restructuring of the human ant-farm needed to bring Joe’s wonderful medical device to life. Every new company/‘productive structure’ needs to live off savings while it creates itself and begins to produce a good/service which it can later trade for the necessary wealth to maintain/expand its productive order. Joe needed 5 billion in order to pay his employees and building costs as he restructured the social order, and it wasn’t after many months of consumption by everyone associated with his enterprise that he was able to produce his medical diagnosing services and exchange them for some money/wealth. No one would have worked for Joe or loaned him the necessary materials for however long it took him to bring his product to market and then get paid months later. If there is little savings in the economy, Joe’s would-be employees would not even have had the savings necessary to live off while they worked on Joe’s enterprise until it was complete and able to finally pay them. So in order to start any new business/‘rearrangement of the human ant-farm’ you need savings.

If a human ant-farm has little savings, if pictured from above, it will have a very sort of repetitive or slow-changing rate of transformation into increasingly productive states. If there is little savings, there is little wealth to fund and maintain alive new restructurings of the human ant-farm, in other words, you need savings to start companies, companies need to live off savings while they bring a product/service to market. So if there is little savings, the rate at which new companies/businesses/‘restructurings of the human ant-farm’ come to life is slowed down. The human ant-farm simply continues in its old productive patterns and consumes most of its wealth as opposed to saving some, which is what would be needed for providing a

subsistence fund for the new companies to live off while they bring their new products/services to market. People are more or less doing the same old thing in their jobs, producing the same amount of stuff, and consuming most of it, and repeating. Just like our fisherman needed to maintain his homeostasis, the continuous consumption that his internal organs and cells depend on to maintain their order, so do the companies and social entities that make up the social order. And just like without savings the fisherman could not spend 3 days creating his net, without savings the social order cannot maintain itself as it tries to morph itself to create some new product/service.

If there is little savings and many people have profitable ideas which would restructure the human ant-farm into more productive/profitable/advanced states, then the competition for the few available savings by the businessmen who want to borrow in order to execute their plans would raise interest rates quickly and make a lot of these ideas no longer profitable. For example, if interest rates are at 20%, only ideas which can yield higher than 20% will be able to borrow at such high interest rates and carry out their restructurings of the social order. So we can picture the human ant-farm sort of stuck in a rigid pattern of production and consumption with little savings, and a new restructuring here and there when a really great or needed idea which will surely yield a higher than 20% return comes along. This is bad for society because there will be many more people whose ideas could transform resources to yield 3,5,6,10,15...20% increases in production, but because interest rates are above 20% these ideas will not be profitable and therefore unable to morph the human ant-farm into more productive and prosperous states. The lack of savings, which reflects itself in the high interest rate, prevents these possible beneficial restructurings of the human ant-farm from having enough money/resources to be carried out. In a previous example EasyPhone was able to borrow at 10% and expand the economic pie by 25%. If interest rates would have been at say 30% then EasyPhone's pie increasing idea would not have been possible.

Now let's assume that people do save a lot which will increase the amount of loanable funds and bring down the interest rate to say 2%. Now, instead of being limited to carrying out only the most beneficial/profitable of ideas/transformations, those whose profitability was greater than 20%, we can still carry out the very profitable ideas that yield 20%+, but now we also have enough savings to 'give life to'/fund many more ideas/transformations, those that yield a 2 to 20 percent return on investment. If we picture the human ant-farm from above in our new scenario where people save more, we see a human ant-farm that is constantly morphing into increasingly more productive/technologically advanced states. As soon as new ideas come there are savings which they can borrow/use to implement their plans/restructurings.

So we have just discussed a topic that is of monumental importance for the prosperity of mankind. Saving and investing is the way in which we bring the future closer to us. What is the difference between the hypothetical more utopian year 2050 I introduced earlier in the book and our current state? The productive alignment/structure of the human ant-farm. And we get there from here by morphing/restructuring our actions via profitable realignments/investments. The more we save now, the easier we make it to fund increasingly productive restructurings of the human ant-farm, which will

bring us an increasingly larger amount of wealth/technology in the future. The less we save, the longer it takes to build up the necessary savings that can give life to such restructurings and therefore the longer it takes to bring their productive/technological benefits to us, slowing down the rate at which we could possibly advance into the future.

The more we save by giving up our current consumption the more 'fish' we make available for those who need to live off them while restructuring/morphing the human ant-farm into more productive/technologically advanced states. As people who understand the market process, we have a say in how fast we move into a more prosperous future, we can either consume and enjoy our current level of prosperity more, or we can give up on this consumption to save and enable the future to come to us faster, and by future I mean things like better medicines/cures, cheaper and more powerful computers, gadgets, technologies that will make cleaning and taking care of the environment much easier and cheaper, and perhaps even things like immortality might be closer than we think.

It is important to realize that money/wealth that is saved does not just sit idle. To save money is to spend money, but as opposed to spending money in a manner that leads to pure consumption, the money is spent in a way that has to be paid back, which involves pie-increasing wealth production. If I take \$50,000 and consume them via a car, travel, energy, etc. the economic pie has been decreased by such amount of wealth, but if I save/lend/invest the \$50,000, whatever entity borrows the money, has to pay it back *plus* interest, and this can only be done by first increasing the economic pie with wealth and then trading such wealth for the needed money to pay me back. Again, it is the difference between giving a man 5 dollars which he uses to buy a sandwich and trading the 5 dollars for an hour of his labor. In the first case the economic pie has been reduced by a sandwich. In the second case it has also been reduced by a sandwich which the man consumed, but it has been increased by an hour of human labor and whatever product/service such labor helped create.

When businesses/individuals save money by choosing the cheaper alternatives offered by competitors, they are not only helping select superior social order and knowledge, that of successful competitors, they are increasing the amount of saved wealth which will lower interest rates and via interest rate coordination will be paired with ideas that have the highest return on investment. This additional savings also competes for labor and therefore increases the wages and overall economic pie available to employees.

Again, one of the most important points to iterate is that saving is just another way of spending. As Henry Hazlitt stresses in his classic "Economics in One Lesson", "*“Saving,” in short, in the modern world, is only another form of spending. The usual difference is that the money is turned over to someone else to spend on means to increase production.*" (Hazlitt, 1988, p. 179) If we just assume the simple case that savings are made available via lending, then the money is spent by borrowers as they go about producing wealth, enough wealth to later trade for enough money to pay back the loan, *plus* interest, which is reflective of the growth in the economic pie that is taking place, and then there is additional wealth, the profit that the borrowers get to keep, plus all the benefits that occur as savings lower the interest rate and so on.

The average rate of profit

We have already discussed many of the features in a market oriented society that keep the social order constantly discovering new knowledge and restructuring the actions of its members in increasingly productive ways. Seeing society as one large super-computer, how does this super-computer decide what to produce? We have already seen how the lending industry and the interest rate help answer this question, but let's look at yet another mechanism that also helps achieve this.

Let's assume that the auto industry is in its infancy. People have started making cars and since they are such wonderful inventions which people realize can greatly help them increase their production and well-being, they offer lots of money for these automobiles. This means that the automobile industry is very profitable. Let's assume that a company is put together with an investment of \$1,000,000 per year and it sells \$2,000,000 worth of automobiles. It has received a 100% return on investment. In the human ant-farm there are many other brains like bankers, lenders, investors with access to people's savings looking for the best places to invest this money, places with the highest return on investment, and high profits in any industry are a signal to such investors that that is where they should invest. High profits are a signal to the social organism that whatever sector or product is generating such high profits is very useful and desirable to the social organism. It is very useful to society because the millions of brains that make it up are willing to trade more of their money and resources for this new product or service than for other things and it is this strong desire which leads to the large profits. So just like the bankers loaned Joe money based on the higher profits he would earn which allowed him to offer a higher interest on loans, the bankers and lenders invest their money in the new and highly socially desirable car industry.

As more automakers enter the car manufacturing industry the profits will be reduced. Let's assume that our first automaker, Cool Autos, sold cars for twice their cost and made a 100% return on its investment, let's assume they cost \$500 to make and were sold for \$1,000. The second car manufacturer, Luxor Autos, also has about the same costs of \$500 per car and sells them for \$900 in order to lure Cool Auto's potential buyers. Selling cars for \$900 when they cost \$500 to build is still a large profit margin of 80%. Let's assume that Cool Autos lowers its price to about the same \$900 dollars so that both companies each more or less has about 50% of the auto manufacturing market. This is still a very profitable sector compared to the many other industries where bankers, lenders, investors and so on could be investing their money. So investors and people with savings help finance more car manufacturing companies so that even if Cool Auto and Luxor had some kind of evil price fixing agreement, the high profits that they make thanks to such an agreement would only serve to signal further competitors into entering the auto industry. Tanaka Autos enters the car manufacturing business and let's assume that it still costs them \$500 to make cars and they sell them for \$650. This is still a 30% return on investment, if we assume that the average return on investment across all industries in society is about 8% there is still a lot of incentive for saved money and resources to be invested in the auto industry. So what will happen is that eventually the auto-making company's profits will be comparable to those of any other industry and due to the competition and continuous lowering of prices, instead of huge profits

for auto makers you have average profits for auto makers and huge savings for consumers, making their economic pie larger.

We have just seen how high profits are a signal to the many brains in the social organism that transfers knowledge indicating that there is a highly desirable and useful product or service to be made, in this case it was autos. This causes the social order to morph itself and produce things of higher value. We saw how the market process channeled resources into that sector and how competition spread the new and superior knowledge and subsequent social order that emerges from it and how this eventually brought profits down to the average level. The high profits made by companies will never last long due to the increase in competition that this signal will bring from other sectors of the market. The high profits are usually reinvested into making the product better in order to keep up with competitors. Eventually the high profits disappear and they become savings for consumers due to the lower prices that the competitive restructuring process brings about. Although this example showed how this process works in the auto industry, it is a process that is constantly occurring in all sectors of the economy.

One final thing I would like to squeeze in this section is to help show how it is impossible for companies to “exploit” workers by paying them too little and making huge profits because of it. If a company is making huge profits because it is paying its employees very little, this is just a signal to the many brains/entrepreneurs in society that they can start a competing company, pay the “exploited” employees a higher wage to lure them to work for them, and now the new competitor is making a large profit, although not as big as the profit that was originally being made by the original “exploiter” because the new competitor will offer higher wages. What was once a single “exploiter” now has to compete with the new “exploiter” to the great benefit of the employees. If the two companies are still making profits substantially above the average rate of profit, this is once again a signal to more brains/entrepreneurs out there and more competition comes to offer higher wages to employees, until eventually the opportunity for so called “exploitation” dries up and all companies are making close to the average rate of profit. Falling for the “exploiter/exploited” mentality is an error rooted in our tribal/brutal mentality where we might have been used to really exploit and take advantage of people by force, but even if we still quite naturally have tendencies to see things this way and even consciously believe that we are exploiting people, as long as there is economic freedom and the market process is allowed to operate, a human being’s contribution to the world will tend to earn him an amount that is truly reflective of his production and not his boss’ selfish nature.

Economic booms and busts and the Austrian Theory of the Business Cycle

Economic booms, busts, depressions, recessions and any other bad things that happen to an economy are not products of the market process or a free society, they tend to be the products of government interference with the market process. Just like in the section entitled “Hyperinflation and Historical Examples” we briefly discussed how governments inadvertently create economic chaos in their human ant-farms, the same applies here. Understanding how government economorons create economic problems is

cool, let's see how they screw things up by creating the booms and busts that are so common in our modern economies by understanding the Austrian Theory of the Business Cycle.

Before getting to the heart of this section let's prepare our minds by going over the following scenario. Let's imagine that there are two couples each with a toddler who want to go out with their friends but there is only one babysitter available. Regardless of how much money either couple has and is willing to offer the babysitter, since there is only one babysitter, only one of them will be able to successfully execute their plans. All the money in the world can't change this, right? This should be obvious. In order for both couples to be able to accomplish their plans we need more wealth (another babysitter), not to make billionaires of the two couples, because offering higher and higher amounts of money to the one babysitter, is still not going to help both couples accomplish their goals.

Ok, with that in the back of our minds we continue but let's briefly jump to a preliminary example for just one paragraph that once again shows us how important interest rates are for businessmen/entrepreneurs and social calculation in general.

Let's say you have a business idea which needs an initial investment of \$1,000,000 and you think will yield 10% per year. If interest rates are low at say 2%, you borrow the million, implement the business which brings in \$1,100,000, pay back the loan plus 2% interest (\$1,020,000) and pocket the \$1,100,000 - \$1,020,000 = \$80,000 difference. But what if interest rates are at around 8% instead of 2%? In that case you would have to pay back 1,080,000 which would leave you with a smaller profit of 20,000 instead of 80,000, a profit perhaps too small to entice you to risk a possible business failure so you abandon the idea. If the interest rate was at 10% then you wouldn't make any money at all once you paid back the loan. So as the example shows, low interest rates encourage people to attempt business ideas which otherwise would not have been worth the trouble, and they are a crucial component of a business's profitability, and thanks to this it is easy to see why businesses are always asking government/'The Fed' for low interest rates. Politicians love low interest rates because they help "stimulate" the economy by allowing all of these businessmen to get the money they need to put people to work implementing their business plans. As consumers we also love low interest rates so we can make smaller payments on our home mortgages and car loans. Bottom line, given our economic ignorance and its ultimate reflection in our elected leaders, lower interest rates, regardless of how they are achieved and any long term consequences is what we want, and that is what our elected economists give us because it seems obvious to all economists involved in politics and our misguided mainstream economics establishment that it is the right thing for America/world.

Ok, we are closer to really looking at the business cycle but let's remember the important cycle of production and consumption of wealth that every social order, whether a person or company, is constantly involved in. For example, if an auto manufacturer is going to double the production of cars, on average we can be pretty sure that it will also about double the amount of wealth it consumes from the economic pie. It might have to double the number of people it employs leading to twice as many people consuming homes, cars, food, energy, medical services, etc. ; or double the amount of

factories it has; it might double the amount of raw materials it uses and so on. The bottom line is that generally speaking increases in the production of wealth require increases in the consumption of wealth. This should be pretty obvious, right? Ok, on to the Austrian Theory of the Business Cycle.

Let's assume that the average interest-rate across the human ant-farm is around 5%. If your knowledge and productive plans would yield more than 5%, say 30%, then you borrow money at 5%, use that money to bring under your control resources from the human ant-farm to implement your plan in a way that produces goods or services that yield 30% and you profit the difference. For example, you borrow \$1,000,000 at 5% to implement your business ideas, the business' revenues are \$1,300,000 of which \$1,050,000 are paid back (the original \$1,000,000 + \$50,000 for the interest) so you are left with a \$1,300,000 - \$1,050,000 = \$250,000 profit. Prior to your borrowing, the human ant-farm had a certain structure, millions of human beings doing the best they can given their knowledge about their skills and abilities and the local piece of the human ant-farm they interact with. Many of these people did not have productive plans which could restructure a piece of the social order in a way that yielded more than 5% so they lent their money to banks/lenders and by doing this they *left those resources that they could have brought under their control to be brought into the control of others*. As money goes from saver to bank/lender to borrower so does the ability to control or *consume* real resources from the social order. It should be obvious that one cannot save and lend a million to some people and at the same time use the million. By saving and lending, some people are giving up their ability to consume wealth as they restructure the human ant-farm a certain way and transferring that ability to others, to the borrowers, who have better ideas and this is what makes the lending industry such an advantage to human ant-farms advanced enough to have them.

At a 5% interest rate there are borrowers with ideas and productive plans that lead to a return higher than 5%, and there are savers whose ideas would lead to a return lower than 5% who instead prefer to lend their money and ability to consume the wealth needed to restructure the human ant-farm. As the people with ideas that are more profitable than 5% borrow money, they *reduce the supply of loanable funds* which will increase the interest rate; this also means that *they have reduced the amount of wealth* that is now available to be consumed by other potential borrowers. For example, when Joe went to the lenders asking for his large sum of 5 billion we saw how the bank increased the interest rate it offered people in order to entice them into lending them money so that they could in turn lend it to Joe. We saw how during those 3 months where Joe's lender was increasing the interest rate it offered as an incentive for savers to lend them their money the interest rate went up from 5% to 7%. As the interest rate rose from 5% to 7% all of the plans which would have been worth implementing which would have yielded between 5-7% return have been abandoned in order to provide the necessary means/savings/wealth to rearrange/sustain the human ant-farm so that Joe's project can be implemented.

So interest rates are now at 7%, Joe as well as other borrowers with better than 7% return on investment ideas have been bidding up the interest rate *bringing money/wealth/resources into their control*. And other people, the lenders,

have been giving them their money *and therefore refraining from bringing into their control resources/wealth from the human ant-farm*. Someday in the future, as Joe and those others who borrowed and pushed the interest rate higher bring their products and services to the market, we will have all this great new stuff and the world will be that much better. We know that this will be the case because the very reason why Joe and other borrowers borrowed so much money, which ended up increasing the interest rate, was because they knew that the product or service they were creating, would eventually be profitable enough to pay back the loans and make some additional money to increase their personal well-being and take them from a less to a more beneficial state.

In order to bring the interest rate down from 7% to say 2% the government economorons via the central bank/'Federal Reserve' have to increase the amount of loanable funds, so through a somewhat complicated process which will be discussed later, they essentially allow the banks to create as much money as needed to bring the interest rate down to 2%. This process of increasing the amount of loanable funds, or credit, is also referred to as the process of credit expansion. Before the government did this, the interest rate was the *natural interest rate*, it was the number that arose naturally and was calculated by the human ant-farm supercomputer, it measured/evaluated/ranked and properly allocated savings/wealth to the productive plans of every brain in the economic system as good as humanly possible. The new and lower interest rate is the *artificial interest rate*, one calculated and determined by a few economorons who instead of spending their youths trying to have sex and working productively they spent that time learning mathematics believing that they were somehow better than other people and that someday they could be the geniuses that give the world a superior order. Ok, I'm just kidding obviously, let me stop fantasizing about young rappers making fun of those pompous economorons and get back to the economics. Later we will discuss how so many people who can solve complicated mathematical equations can be so wrong, but for now we continue. So the interest rate is now at an artificially low 2% due to a large injection of money/credit into the banking system. The first and the most important thing to keep in mind is that no amount of REAL WEALTH has been increased and then saved leading to the lowering of interest rates, the only thing that has been increased is the amount of money. Here is a hint, more couples want to go on dates but there is still only one babysitter... And the second thing we need to keep in mind is that new money will be entering the economic system without any previous increase in production. Having already discussed the relationship between prices and goods and inflation, one should understand that this increase in the money supply will eventually increase prices compared to where they would have otherwise been at just like occurred when Alan fooled society into building him his castle.

Prior to the artificial lowering of the interest rate, when the interest rate was at around 5-7%, many ideas that yielded for example 4% or all the way up to about 7% were abandoned and the money and therefore ability to consume the needed wealth to restructure the human ant-farm was given up by those who saved, and given to those who borrowed at the higher interest rates (the Joes and other business men with superior knowledge) so that they could implement/nourish/sustain their superior plans/orders. At the new 2% artificial interest rate, suddenly many of those previously socially inferior plans, whose restructuring of the human ant-farm were abandoned to make way for

the more socially beneficial plans, seem beneficial/profitable once again. This is where the boom begins, as previously deemed unprofitable projects will be able to get the financing/wealth they need and begin to break ground and we *seem* to be headed for an unexpected or higher than normal amount of prosperity. Another side effect of this artificial lowering of the interest rate that should be brought to mind is that potential savers now have less incentive to save because their returns will be lower and therefore are more likely to consume even more and make less wealth available for the subsistence of new projects.

Remember John? The guy who could not get financing/wealth to start his small plane manufacturing business because the investors decided to lend their money at a higher interest rate to Joe's lender/bank, and eventually ended up working for Joe? In a world free from government economorons meddling with the interest rate he would have remained working for Joe and Joe's machine would be completed more or less on time and the world of medicine would have been revolutionized, but now John's 6% return on investment with his plane manufacturing idea seems like a great one; borrow at 2% and earn revenue of 6% means a 4% profit. So he quits working for Joe and easily gets the 500 million dollar loan that he needs thanks to the newly available money added to the banking system by the economorons. With this new money John starts bringing into his control resources from the human ant-farm that previously would have been employed by other people, like Joe and others like him. Not only does Joe have to replace John since he is short one employee, but since John has this new money which he is using to buy and bring into his possession a limited amount of labor, machines, computers and buildings and other wealth: their prices go up. Instead of having a certain amount of money (the amount that had been saved) competing for factors of production (labor/machines/computers...), we now have the additional economoron created money competing for those very same resources so their prices go up. Joe finds that his original calculations were off, he sees that some of his employees are going off to work elsewhere, equipment costs a little more than expected and so on because suddenly there are all of this new businesses popping up like John's and others using new economoron-created money to attract resources to be used for their respective plans.

When businessmen like Joe and John embark on a business venture they can be seen as builders whose objective is to build a brick house⁸. Successfully building a brick house is like successfully implementing their business plans in a way that brings in the expected rate of return in profits and successfully rearranges the human ant-farm. Prior to the artificial lowering of the interest rate, most businessmen or builders were attempting to build their houses and there were more or less enough bricks or wealth "saved" or unused for most of them to successfully build their brick houses. And it is the natural interest rate that they use to make the calculation as to whether they can build a house or not. When the economorons artificially lowered the interest rate, they made it seem like there are a lot more bricks/wealth than there really are, so many new homes/'business ventures' will break ground. As Mises states, "A lowering of the gross market rate of interest as brought about by credit expansion always has the effect of making some projects appear profitable which did not appear before." (Mises, p. 558) But there is one problem, there are not enough bricks to finish them all, in other words, there are not enough resources at the right prices to implement all of their

business plans in a profitable manner, or in other words, in a manner that produces more wealth than that which was consumed in order to create the wealth, and all the money in the world cannot change that. Let us remember the two couples needing the babysitter, all the money in the world could not help them both complete their plans, and something similar applies to businesses attempting to complete their plans in a profitable manner. Mises continues, "However conditions may be, it is certain that no manipulations of the banks can provide the economic system with capital goods[bricks]. What is needed for a sound expansion of production[more houses] is additional capital goods[bricks], not money or fiduciary media. The boom is built on the sands of banknotes and deposits. It must collapse." (Mises, p. 559) (words between [brackets] added by me)

There are several important things we want to understand as we follow what happens next and I have numbered them individually to make them easier to identify.

1. Joe and other businessmen realize that they now need to borrow more money to complete their projects so they too borrow and further contribute to the continued increase of prices of their factors of production like raw materials, labor, machinery, computers and so on.

2. The additional borrowing not only contributes to the increase in the prices of factors of production as just mentioned but it also reduces the amount of loanable funds which increases the interest rates once again.

3. As the additional money from all the borrowing goes to employees(who increase consumption due to the fact that they now have higher salaries than they otherwise would have) and then to the economy, prices begin to rise not just in the factors of production needed by the businessmen but across all goods and services in the entire economy.

4. This increase in prices is also taken into account by people who lend money and further contributes to an increase in the interest rate, for the following reasons. If there is say 4% inflation per year and you lend \$100 at 4% for a year, at the end of the year you get back \$104 but these \$104 will buy you the same amount of goods as your original \$100 a year ago because prices have gone up due to inflation. Because of this when you lend your money you ask for a higher interest rate, one that takes into account the fact that the money you receive will buy you less real goods, so you might ask for 6% in order to make a real 2% gain from your loan. This asking of a higher interest rate of return on a loan to compensate for inflation will contribute to a further increase in the interest rate which is already occurring due to the increased borrowing by businessmen as they essentially use this new borrowed money to compete with each other for the needed "bricks" to finish their homes/projects.

5. As the interest rates rise many of the business plans which seemed profitable in the past at the 2% interest rate will now start to look like losses and have to be abandoned. For example, imagine Andrew was one of the people who borrowed at 2% hoping to complete a project that he expected would yield 5%, but because of the continued increase in the prices of the needed factors of production(the "bricks"), just like Joe and John, Andrew needs to borrow more money at an interest that now might be at 6%, so Andrew finds himself borrowing at a higher interest rate than what his

expected business revenues will repay profitably and therefore he will be losing money and have to abandon his project, and what seemed like a profitable idea in the past turned out to be a bad one. But Andrew does not necessarily abandon his plan and continued borrowing. Since prices are rising, he is led to believe that maybe he will be able to charge higher prices for his completed goods and perhaps make up for his higher costs of borrowing. Some will abandon their plans, others like Andrew might hope they can still turn a profit, others like Joe, whose expected return on investment is very high will continue to borrow without much uncertainty.

6. If the government economorons compensate for the additional borrowing and inflation related increase in the interest rate by once again injecting more money into the banks/loan market in order to increase the amount of loanable funds and therefore once again lower the interest rate, those businessmen like Andrew can continue to borrow at a low interest rate and try to compete for the needed bricks/resources. But this just continues to increase the prices of the needed factors of production(bricks), and once again leads to more inflation and more borrowing by businessmen as they need more money to complete their projects. Again, there is only one babysitter, only a limited amount of bricks at right prices to complete some, but not all of the projects in a profitable manner. Some businesses will inevitably fail.

7. Two things can happen next that will bring an inevitable end to the boom:

A. The government economorons continue to inject greater and greater quantities of money into the loanable funds market to keep the interest rate low even though inflation will keep on increasing which will eventually lead to runaway inflation. With prices rising very rapidly, people's savings become worthless and there is no incentive to save, people want to spend the money to buy real things before the money buys even less, they will try to exchange it for another country's money, gold, real estate, the money will become worthless, there will be economic chaos and social upheaval until nobody accepts the government's money at all and something else takes its place.

B. Stop adding new money to the loanable funds market and allow the interest rates to increase. Once the economorons stop adding money to keep interest rates low, interest rates will increase, some businesses, like Andrew's, will not be able to borrow and complete their projects in a profitable manner and will finally go bankrupt. Their employees will be laid off and unemployment will rise. It is as if their houses remained unfinished. As some of these businesses go bankrupt and sort of break up and release their resources into the market place, some of these resources, like some of the labor, will be able to incorporate themselves and contribute to the completion of other projects, but there will be many resources that are too specific to a particular business plan and will be very substantial losses. For example, let's say John goes bankrupt, some of his ex-employees might be able to get jobs working for Joe, but highly complex and specialized airplane manufacturing assembly plant robotics will have a much harder time incorporating itself with other plans. It is as if the bricks of some of the houses that will not be able to be finished will be able to be moved and used towards the completion of other houses but other bricks are stuck being parts of incomplete homes that will be completely useless. Other businesses like perhaps Joe's will complete their projects in a profitable manner. Even though Joe's project might have cost

him more money to implement due to the additional competition for the needed factors of production as he was trying to build his business, he might be able to charge a higher price for his services later due to the monetary inflation. At this stage we are in the bust phase and soon a new restructuring of the human ant-farm based on the natural interest rate as opposed to the artificial and fictitious one will take place.

-----end of 7 itemizations

When this whole fiasco got started, one could say that there were going to be 100 brick houses built (100 profitable ideas/'rearrangements of the human ant-farm') and there were more or less enough bricks or wealth for all of them. The artificial lowering of the interest rate made it seem like 120 houses could be built with the same amount of bricks. When everyone started building houses it looked like instead of having a future with 100 nice houses we were going to have a future with 120 houses, we had a nicer than expected economic boom. Politicians and economorons take pictures and congratulate each other, many young students aspire to be wise economorons and pay a high price to attend prestigious universities and learn useless mathematics. As the houses are being built and there are less bricks to complete all the houses, the additional borrowing is used to compete with other homebuilders/entrepreneurs to attract the bricks to their respective houses. In the end some cannot continue to borrow and compete for bricks so their houses remain unfinished and others are able to finish theirs, but ultimately instead of having 100 houses, society has 60 completed houses and 60 incomplete ones. Although in this example society is better off than it was at the moment the government economorons artificially lowered the interest rate, it is far worse off than it would have been should the economorons not have messed with the interest rate and 100, as opposed to 60, brick houses/'business plans' would have come into existence. Our modern world would have progressed much faster into a more prosperous future if governments would not have interfered with the interest rates creating these booms and busts which ultimately leave us worse off than we would have otherwise been. As Mises tells us :

“The characteristic mark of economic history under capitalism is unceasing economic progress, a steady increase in the quantity of capital goods available, and a continuous trend toward an improvement in the general standard of living. The pace of this progress is so rapid that, in the course of a boom period, it may well outstrip the synchronous losses caused by malinvestment and overconsumption. Then the economic system as a whole is more prosperous at the end of the boom than it was at its very beginning; it appears impoverished only when compared with the potentialities which existed for a still better state of satisfaction.” (Mises, p. 562)

Every business venture is an attempt at morphing the social order in a way that it produces more than it consumes, i.e. is profitable. Under the free circumstances, business ventures are spawned, they munch on, or *consume*, real savings/wealth, and increase the economic pie by more than that which they have consumed(are profitable). With the artificial lowering of the interest rate, many more business ventures are spawned, thus leading to more consumption

of wealth than would have occurred should interest rates not have been artificially lowered, but this time many will not be able to complete their projects/wealth, therefore ending up having consumed more than what they added for a net loss. Creating billions of dollars to artificially lower interest rates, is not the same thing as creating billions of dollars worth of real wealth needed to sustain businesses while they go about production. Businesses need to consume *real* wealth as they produce, they cannot just consume paper dollars, and this reality eventually manifests itself in ways already described. Mises summarizes the whole thing beautifully when he wrote:

“Credit expansion cannot increase the supply of real goods. It merely brings about a rearrangement. It diverts capital investment away from the course prescribed by the state of economic wealth and market conditions. It causes production to pursue paths which it would not follow unless the economy were to acquire an increase in material goods. As a result, the upswing lacks a solid base. It is not real prosperity. It is illusory prosperity. It did not develop from an increase in economic wealth. Rather, it arose because the credit expansion created the illusion of such an increase. Sooner or later it must become apparent that this economic situation is built on sand.” (Mises L. v., 2006, p. 162)⁹

It is important to stress the fact that once a boom has been created it is inevitable that there will be a bust which is needed in order for the social order to properly realign its productive structure. The bigger the boom and therefore the bigger the deviation from what is truly possible, the harder the bust and realignment phase will be. As the people go from being parts of unprofitable, unrealizable plans, to feasible ones, there will be some additional unemployment compared to what the normal rate of unemployment would be¹⁰. If government economorons decide to once again artificially ‘stimulate’ the economy in order to put these men to work doing who knows what, it will only slow down or further aggravate the bust/realignment phase. In Hayek’s words:

“And, if we pass from the moment of actual crisis to the situation in the following depression, it is still more difficult to see what lasting good effects can come from credit-expansion. The thing which is needed to secure healthy conditions is the most speedy and complete adaptation possible of the structure of production . . . determined by voluntary saving and spending. If the proportion as determined by the voluntary decisions of individuals is distorted by the creation of artificial demand, it must mean that part of the available resources is again led into a wrong direction and a definite and lasting adjustment is again postponed. And, even if the absorption of the unemployed resources were to be quickened this way, it would only mean that the seed would already be sown for new disturbances and new crises. The only way permanently to “mobilize” all available resources is, therefore, not to use artificial stimulants—whether during a crisis or thereafter—but to leave it to time to affect a permanent cure by the slow process of adapting the structure of production to the means available for capital purposes.” (Hayek F. A., 1932, pp. 86-87)

In the previous example, even with the distortions caused by the artificial lowering of the interest rates, society could still be viewed as having progressed because 60 new houses or profitable wealth-increasing businesses came into existence, but we should also keep in mind that just like homes need maintenance(plumbing, electrical, mildew, septic tanks...) so do businesses, so bricks/wealth, are needed to expand/create new businesses as well as to

maintain existing ones. So a more realistic example could be as follows:

A) Under no artificial manipulation of interest rates, 100 new brick homes/businesses are created and more or less all existing homes/business continue to be hospitable/profitable (thus increasing the economic pie).

B) With artificial manipulation of interest rates and subsequent misallocation of wealth, 60 new homes/‘profitable businesses’ come into existence, another 60 have to be abandoned before they are hospitable/profitable, and another existing 60 have to be abandoned because they are no longer hospitable (cannot afford to repair septic tank, leaky roof, etc)/profitable (cannot afford to repair machinery, etc). In this scenario the economic pie has more or less remained the same size with some new wealth going to the creation/expansion of business, some being consumed but without leading to the creation of new wealth as projects cannot be completed thus leading to the squandering of wealth, and some existing businesses which came about due to previous consumption/investment can no longer maintain themselves or be profitable thus they too have to be abandoned. This scenario could easily have been worse with perhaps the creation of just 30 new homes or profitable social orders, the unsuccessful completion of 30 others and the loss of 60 existing ones leading to a net loss of profitable social order and a shrinking economic pie.

In the year 2000 interest rates were at 6.5%, by 2003 America’s central bank, the Federal Reserve, had artificially lowered them to 1% inevitably causing a borrowing and investment boom, especially in housing, whose inevitable bursting is now causing the entire world to realign itself.

We just look at the world and think that money is all we need. We are so used to using money and having money be what is associated with wealth, that we completely overlook the fact that it is not really money that we need, it is increased production, we need more bricks. But again, such a simple and obvious fact, is completely foreign to our nature given the complexity of the world and other things we’ll discuss later on.

A perfect example of an economist at his best when it comes to messing around with interest rates was president Lyndon B. Johnson who in his State of the Union message in January 1967 put it bluntly :

“Given the cooperation of the Federal Reserve System, which I so earnestly seek, ... I pledge the American people that I will do everything in a President’s power to lower interest rates and to ease money in this country. The Federal Home Loan Bank Board tomorrow morning will announce that it will make immediately available to savings and loan associations an additional \$1 billion, and will lower from 6 percent to 5 3/4 percent the interest rate charged on those loans.”

Before finishing this section I would like to once again review what the interest rate does. The interest rate can be seen as performing two crucial functions for society. Number one, it helps us measure how much saved wealth society has with which to fund new ideas. The more wealth we save, the lower the interest rate will be, the more profitable ideas will be able to expand the economic pie. The less we save the higher the interest rate will be and this ensures that only the most profitable ideas will be able to borrow the

small amount of saved wealth that society has. The second thing the interest rate does is that it acts as a sort of barometer of ideas. Ideas that will grow the economic pie by less than the interest rate will be abandoned and the saved wealth that they would have consumed is loaned to ideas that have a higher return on investment than the current interest rate. It does not matter if you do not have any savings of your own, as long as your idea can increase the economic pie by more than the current interest rate you don't have a problem. You borrow at the current interest rate, you can increase the economic pie by more than the interest rate, you can pay back the loan and keep the difference as a profit.¹¹

Deflation is ok

Let us begin this discussion by defining deflation. Deflation is the process of reducing the supply of money. As a result of this, there will be less money per unit of wealth leading to lower prices than would have otherwise been the case. So deflation does not equal lower prices, it is a reduction in the amount of money whose *outcome* is lower prices. Just because prices go down, this does not mean that we have deflation. A lot of people, myself included, often times refer to decreasing prices as deflation, but just to be clear, in our context declining prices will be referred to as, well, declining prices, and deflation will understood to be a reduction in the money supply.

We have discussed how inflation is theft and bad for the economy. The theft that occurs via inflation reflects itself in higher prices which robs savers of the additional wealth their money could have bought. It also robs creditors or those who save and lend their money because the money they get back can buy them less, which is to the benefit of debtors who have an easier time coming up with the needed funds to repay their debts¹. More realistic examples of how inflation redistributes wealth and harms people can be seen in the case of real estate and stock market bubbles. For example, most of us have heard about or know people who made great fortunes in real estate speculation by buying homes, waiting for their values to go up, selling them and making a great profit. If we assume that this continued increase in market value of homes is simply due to the fact that inflation is taking place and therefore more money is being added to the economy and bidding up the price of homes, the real estate speculators get to make money and use it to consume wealth from the economic pie yet no real increased production of wealth has taken place for a net reduction of wealth from the economic pie at the expense of people like a younger generation of home buyers who now have to work harder and pay more for a home. Something similar occurs with Wall Street and the stock market where the inflation leads to the new money going towards stocks raising their prices just like it did with real estate. In this case salaries and prosperity increases in Wall Street and NYC where so much of the new money goes. This allows the financial sector and those more connected to it to buy things at the lower prices before the new money makes its way to the rest of the economy giving them an advantage to the detriment of so called 'Main Street' or regular America, as explained in our previous section on inflation. The so called "Welfare State", the many government

¹ See the examples at the end of section titled "*Prices. The quantity theory of money*" where Ben the money gremlin inflates and deflates the money supply to remember this.

programs that transfer money from producers to try and provide welfare to others is also a great beneficiary of inflation because if people had to pay directly for such costs as opposed to being hidden by the inflation tax and future bankruptcy of America, people would be much more opposed to them. The same thing can be said about the so called "Warfare State" which consumes about one trillion dollars of wealth every year to fight "evil" and inadvertently destroy so much prosperity. All of these things that cause a tremendous amount of harm to our socioeconomic prosperity are largely possible thanks to inflationary spending thanks to our central bank the Federal Reserve. With this in mind we now look at two things, first, declining prices *due to increased productivity*, and then declining prices *due to a reduction in the supply of money or deflation*.

As the social order becomes more productive, if the money supply does not grow as fast as the economic pie, we should expect average prices to go down because there would be more goods to compete for, or be chased by, a slower growing amount of money. This is good; it is a sign of progress. In an earlier section I compared the entire social order to a tool, or robot that gets more efficient with time. As the social order becomes more efficient, it transforms matter into human usable wealth faster and faster. As the amount of wealth increases faster than the population or amount of labor, labor becomes dearer and dearer compared to the increasing amounts of wealth that are created and therefore more and more wealth has to be offered in exchange for such labor as businessmen compete against each other, leading to greater amounts of wealth per labor which means higher wages. We should remind ourselves that it does not matter what amount of money the economy uses: it is the ratio between the amount of wealth and workers that tends to determine how much wealth we get. If we assume that the money supply is relatively stable, if prices go down due to increased productivity and the fact that money will now have to be divided among more things, your savings will buy you more. Your salary or wages might go down as well because the money will now be divided among more things, but if the economic pie is growing faster than available labor, the price of labor(wages) will go down slower than the price of consumer goods *so even though you might have less money at the end of the day, your money will still buy you a greater quantity of goods*. So the reality of increased productivity reflects itself on the additional amount of wealth each person gets to bring under his control regardless of the amount of money used to help measure such wealth. The tricky part about declining prices that leads to many fallacies comes when we look at the repayment of debts to which we turn to next.

Let's assume that once again the money supply is relatively stable and that prices drop by 50% because everyone in society has doubled their productivity so that there is twice as much wealth to divide the money supply against. With this being the case, each item you sell will fetch half as much money as it did before, bringing in half the amount of revenue, and making it harder for you to repay a loan. For example, if the office you rent for your business costs you \$1,000 per month, but each widget you sell now sells for half as much money you will get half the revenue per widget and fear not being able to pay the rent. But, when you take into account that you too are twice as productive, this means that you have twice as many widgets to sell, so your revenue in monetary terms will be the same as before, making it no harder to repay your loan. *So we have nothing to fear if prices go down due to increased productivity,*

the real problem comes if the drop in prices comes not as a result of an increase in productivity, but because the amount of money has been reduced, in other words, because of deflation.

In the case that the amount of money has been reduced, businesses will definitely have a harder time repaying their debts and because of this there will be bankruptcies of profitable businesses, but although this is a calamity to the investors and business owners, it does not make society that much poorer. The business is still a profitable arrangement of social order which therefore produces more than it consumes, the ownership will change from the original owners to the creditors or whomever they sell the business to, but the important thing to keep in mind is that there has been no destruction of wealth or a significant misalignment of the social order that leads to substantially less productivity. We would expect some loss of productivity because there are costs associated with the sale of the business or transfer of ownership. The business was also under profitable owners, in other words, people who had good knowledge, and the business might now be transferred to inferior ownership. So overall we would expect a negative impact overall to the social order in this type of case where a profitable business finds itself in bankruptcy, but again, we always want to see society in its true three-dimensional structure and envision the constant cycle of production and consumption, and if we keep our eyes on this dynamic and truthful representation of the social order we realize that deflation does not alter it significantly. This is very different from inflation which is used to steal wealth like Alan did in our introductory lesson on inflation and also distort the social order in damaging ways via the boom/busts already discussed.

Although deflation will lead to the bankruptcy of business owners who run profitable business and might not be able to repay the loans/rents they have taken out, it does far more harm to those who benefit from inflation at the expense of the truly productive and should be in many ways a welcomed event regardless of the drawbacks just discussed. For example, take the real estate speculator that gets rich by buying homes and selling them as prices rise due to the inflation, or in a similar scenario the many home owners who see the market value of their homes go up and can get access to this increase in value with home equity loans. Both of these groups of people and many others get to consume real wealth from the economic pie without having produced anything, they are prime benefactors of the inflation. When deflation hits, these folks are the first to go bankrupt because now their assets are worth a lot less, and not enough to cover the amount of the loans they took out that allowed them to tap into the inflation-created money. These folks go bankrupt, and so do the banks that loaned them the money and were also living the good life thanks to the inflation. The social order can be roughly divided into two classes, those who benefit from the inflation like: the aforementioned real-estate speculators, the “Welfare State”, the “Warfare State”, as well as Wall Street (where most of the new money goes to artificially increase the value of stocks to Wall Street’s advantage), and those who are harmed by the inflation like people who live off their savings or fixed incomes like much of the elderly whose savings and incomes will buy them less wealth as prices rise, also youth who can no longer afford to buy a home, and basically everyone else who is not benefiting from the inflation. When we realize that inflation just redistributes wealth, we don’t have to know exactly who is a benefactor and who is a loser, all that matters is that there will be benefactors

at the expense of the losers. Deflation in many ways helps turn things around. Wall Street's inflated stocks and prosperity go down, other speculative entities like the aforementioned real-estate speculators whose source of wealth was mostly tied to the inflation go bankrupt and can't pay their creditors which also helps bring down the inflationary banking establishment. The elderly and those who were frugal and did not have debts can now afford more wealth with their savings, the young generation can once again afford a home and so on.

Deflation also helps select superior businesses. Businesses that are finance through debt, and therefore risk bankruptcy during deflation, will probably not be as preferable as those who finance themselves through their own pool of savings. For example, compare an efficient auto manufacturer that has had great products for a long time, is debt free, and has saved a lot of money for future investments to a competing auto manufacturer like the putrid US automakers that might still be in business but have a ton of debt. Statistically we would expect the first company to have a higher chance of being a superiorly structured social entity. Deflation here would accelerate the liquidation of the bad company and help transfer what is salvageable and productive from the bankrupt companies to the more efficient auto manufacturer.

In a society that understands deflation and does not fear it, contracts and the legal framework will evolve to take it into account. This does not mean that there would not be some growing pains as we abandon our current inflationary mess of a system as we will briefly discuss, but these issues can be dealt with without any major setbacks on the way to a sound monetary system. So to wrap this up. Economist Jorg Guido Hulsman titled a wonderful pamphlet on deflation "Deflation and Liberty" for a reason. In a world where inflation causes so much harm and enables various social cancers like the Welfare/Warfare State to exist, deflation, when properly understood, is a friend of liberty and economic progress.

Concluding remarks

In this chapter we have discussed how the market process and some of its components like money, the banking and lending industry, competition and interest rate coordination, is the process that creates/expands/sustains the social order. The market process turns every human brain into a large supercomputer that is constantly discovering better ways to solve old problems as well as creating new technologies and increasing the rate at which the social order transforms matter into human usable wealth.

Natural selection is constantly selecting better ways of building order, which extends to the social order as well. We have discussed how market oriented societies led to a more powerful social order, which was able to overtake and therefore replace the inferior social order that emerged from doing things in self-sufficient ways. This does not mean that we are all descendants of one society that stumbled upon these market mechanisms; this has obviously not been the case. What happens is that some groups of people inadvertently stumble upon more market oriented ways/customs, which lead to a more powerful social order that via conquest, immigration, etc. eventually

spreads its more productive cultures and those institutions they contain. One of the most important points to understand, a point which will be further clarified and expanded on in the next chapter, is that the market process and all the mechanisms it is composed of like money, competition and interest rate coordination, as well as the necessary legal framework which sustains it were not consciously designed by people for the purpose of sustaining/expanding the social order. Although they are the result of human action, they are not the result of conscious human planning and design. No group of people ever sat down and thought to themselves, "Let's have a market oriented society because it will be better because so and so reasons". At some point, hopefully very soon, an intellectual revolution should cause many human beings to consciously adopt a market oriented society, but again, this does not mean that they designed it. This would be analogous to people suddenly saying that we agree/like/support biological evolution as the superior way of creating human bodies just because we finally understood how it worked while at the same time having had nothing to do with its design¹². Human beings acted based on their best interest and circumstances at the times, inadvertently stumbled upon these economic institutions, and it was natural selection which was selecting those societies that grew the most and therefore those societies that were powered by the best ways of shaping their social order. Men simply acted based on their immediate self-interest when they stumbled upon things like money without having the slightest clue that money was going to become to the social organism what something like nerves/hormones that carry information might be for a living animal. Always wanting to keep the very fundamentals of order and the evolution of complexity in mind, we should realize that money simply became an 'emergent property' which played a key role in the further evolution/selection/emergence of the social organism. Today we look at a living organism in wonder of how all the parts work together in unison and think that a designer had to design them all together at the same time given their interdependence, yet there was no need for a designer, and in the social organism we have further proof. When we look at a modern economy we see complex institutions like money, banking, the interest rate, and the necessary legal framework to support such institutions which are integral parts of the social organism, yet the crucial role they play and how they interact with each other to create the modern social order was not consciously intended by men. Just like natural selection selects for genes that lead to a superior biological order via biological evolution, natural selection selects laws/ways/institutions/customs which lead to a superior social order.

In the words of Carl Menger :

"There exists a certain similarity between natural organisms and a series of structures of social life, both in respect to their function and their origin...Natural organisms almost without exception exhibit, when closely observed, a really admirable functionality of all parts with respect to the whole, a functionality which is not, however, the result of human *calculation*, but of a *natural* process. Similarly we can observe in numerous social institutions a strikingly apparent functionality with respect to the whole. But with closer consideration they still do not prove to be the result of an *intention aimed at this purpose*, i.e., the result of an agreement of members of society or of positive legislation. They, too, present themselves to us rather as "natural" products (in a certain sense), as *unintended results of historical development*. One needs, e.g., only to think of the phenomenon of money, an institution which to so great a

measure serves the welfare of society, and yet in most nations, by far, is by no means the result of an agreement directed at its establishment as a social institution, or of positive legislation, but is the unintended product of historical development. One needs only to think of law, of language, of the origin of markets, the origin of communities and of states, etc.”¹³

And Hayek below makes a similar point while at the same time warning us about our ambitious government plans which inadvertently destroy our social order:

“We have never designed our economic system. We were not intelligent enough for that. We have stumbled into it and it has carried us to unforeseen heights and given rise to ambitions which may yet lead us to destroy it.” (Hayek F. A., 1981, p. 164)

These ‘ambitions which may yet lead us to destroy it’ are the well intentioned yet disastrous government programs and regulations that plague our modern economies. In order for the market process to work things need to be privatized which requires individual freedom. In chapter 5 we will see how government, mostly due to the fact that it is a monopoly that is immune from competition, inadvertently wreaks havoc on the workings of the market process thus leading to less productivity and all kinds of socioeconomic problems.

Just like a bacterium is a highly evolved self-sustaining order that swims around eating/transforming matter needed to nourish its internal order, so does the social order via the market process which natural selection has invented.

If we look at orders at a fundamental level, we see that for them to grow and become more powerful they have to differentiate their internal structures to be more supportive of the whole. We see this in the evolution of cellular life. From an ancient prokaryote (a very simple cell), increased compartmentalization of different functions within the cell led to what Herbert Spencer referred to as “a certain amount of ‘physiological division of labour’”¹⁴ which increased the productivity and complexity of the cells. Natural selection stumbled upon the same ‘division of labour’ trick as various sectors in our economies like manufacturing, IT, medicine, as well as economic institutions like banking and stock markets, specialize and contribute more to the growth and stability of the social order.

When an egg and sperm unite to create a zygote, it goes through many divisions, initially splitting into two, then those two cells each divide in half to create 4, which then divide in half to create 8 and so on, until you have a mass of billions of cells which we refer to as a baby. Initially each cell has the same genetic material but eventually the instructions of some genes are carried out helping cells differentiate into heart cells, liver cells, brain cells and so on. If we once again compare people to cells, for the most part people have the same genes, but just like cells who have the same genes eventually differentiate to fill a specific niche in the biological organism, as people grow up we absorb different knowledge and skills that are specific to production in some little corner of the social organism. This analogy helps shed light on a sort of pattern which natural selection has repeated. In biological evolution the knowledge

needed to sustain order had to be stored in the organism because that turned out to be the easy way, the one natural selection stumbled upon given the current level of complexity at the time. Thanks to human being's ability to learn and the evolution/creation of the market process, knowledge of how to create order is finally being stored outside DNA, it is stored in our minds, culture, machines/tools/computers/etc. and as we grow up, similar to stem cells, we morph into what is needed/productive.

One final thing I would like to remind the reader about is how dynamic the market process and social order are. The way we have discussed economics, in other words, the way we have discussed the real world, it should be easy to envision knowledge spreading through billions of minds transforming their actions. One can envision companies coming together, exploiting profitable opportunities, breaking apart as labor and resources are lured by more profitable ideas. People choosing among different products, helping sustain or expand some orders by trading with them while diminishing others, people cutting back on some consumption thus increasing savings, savings which via investment enable some other social transformation to take place. Machines, tools, labor, ordered in just the right manner, always being guided by people and investors whose incentives maximize profitability and thus additional wealth creation. Order, order, order! Believe it or not, mainstream economists cannot explain economics in a way that captures the creation, evolution and dynamism of the social order as we can. They have mathematical equations that treat things like machinery and tools as some sort of fixed quantity that does not take into account the fact that machines have to be used in a specific time and place and be complemented by millions of other factors like other machines, employees and so on, factors that are IMPOSSIBLE for someone other than the actual businessmen that use those machines to actually begin to comprehend. In a recent online debate¹⁵ economist Robert Murphy explained the fact that for mainstream economists, gnomes could appear overnight and relocate all the machines, tools and labor to different coordinates in the country, and today's mainstream economists' calculations would still show a normal economy when society would actually be in a state of unproductive chaos. Mainstream Keynesian economics has no understanding of the role that freedom, competition, and interest rates play in the actual shaping of the social order and its amazing dynamism and complexity. Their calculations, no matter how complex and intimidating they might be, cannot possibly capture the far more complex reality of, well, the real world! They have no understanding of what the market process is and how it places those machines/tools/labor in the necessary coordinates at the necessary times. We'll criticize in more depth government and its mainstream economorons in a later chapter, but before we get to that let us briefly discuss the evolution of culture and its relationship to economic growth and the evolution of the market process.

¹ Search for "I, pencil". A classic short essay by Leonard E. Read where a pencil describes the complexity involved in bringing him to creation. At the time of this writing it can be found here: <http://econlib.org/library/Essays/rdPnc1.html>

² This example came from a great mises.org article by Arthur E. Foulkes titled "Teaching Basic Economics to Fifth Graders" which can be found here

<http://www.mises.org/story/2207>

³ Carl Menger, *Principles of Economics*, (Libertarian Press, Inc.: Grove City, PA, 1994), page 260. www.libertarianpress.com

⁴ Ibid. page 263-264

⁵ Ibid. 266

⁶ The first three examples came from (Swanson, 2004, p. 5)

The last example and many other great historical examples of hyperinflation can be found at <http://en.wikipedia.org/wiki/Hyperinflation>

⁷ This short 60 second video shows how the US creates worldwide inflation and why the US dollar is quickly losing value and the potential for much higher inflation

<http://www.youtube.com/watch?v=9fv1DqJcn28>

⁸ The ‘brick house’ analogy I first ran into in Roger Garrison’s lectures on the business cycle available at <http://mises.org/media>. I believe Mises made the original analogy in a presentation titled “The Trade Cycle and Credit Expansion: The Economic Consequences of Cheap Money” in April 24, 1946 available here <http://mises.org/books/causes.pdf> where he states :

“The whole entrepreneurial class is, as it were, in the position of a master builder whose task it is to construct a building out of a limited supply of building materials. If this man overestimates the quantity of the available supply, he drafts a plan for the execution of which the means at his disposal are not sufficient. He overbuilds the groundwork and the foundations and discovers only later, in the progress of the construction, that he lacks the material needed for the completion of the structure. This belated discovery does not create our master builder’s plight. It merely discloses errors committed in the past. It brushes away illusions and forces him to face stark reality.”

⁹ Available here <http://mises.org/books/causes.pdf>

¹⁰ In a society without minimum wage laws and government interference unemployment would be mostly voluntary. There will be people who don’t want to work because perhaps they want to live off their savings for a while and many other reasons. It is this unemployment rate I am referring to, not the unemployment rates we have in our economies that are the result of bad economic policies.

¹¹ Murray N. Rothbard’s “The Mystery of Banking” ISBN 978-1-933550-28-2 published by The Ludwig von Mises Institute, besides being a wonderful introduction to the topic also discuss the history of central banking and provides further evidence of how various government interventions in banking led to various panics/booms/busts/etc. It is available for free here <http://mises.org/Books/mysteryofbanking.pdf>

Also De Soto, Jesús Huerta. “Money Bank Credit, and Economic Cycles” Published by the Ludwig von Mises Institute ISBN 978-0-945466-39-0 also freely available here <http://www.mises.org/books/desoto.pdf>, section titled “EMPIRICAL EVIDENCE FOR THE THEORY OF THE CYCLE” on page 476 provides more historical evidence.

¹² But, just like with genetic engineering, once we understand how naturally selected/invented mechanisms like biological evolution and the market process work, it could be said that we can more consciously evolve them.

¹³ Carl Menger, *Investigations Into the Method of the Social Sciences*, (Libertarian Press, Inc.: Grove City, PA, 1996), 105-106. www.libertarianpress.com. The italics of various words in quote represent emphasis placed on those words by Menger himself

¹⁴ Spencer, Herbert. “Illustrations of Universal Progress; A Series of Discussions” D. Appleton and Company, 1888 page 403 within essay “The Social Organism”

¹⁵ See http://www.youtube.com/watch?v=lpXvE2XM1TY&feature=player_embedded

IV. Cultural Evolution

Hayekian selection introduced

Human beings can be said to be made up of two books. One is our genome which contains the genes that describe how to create our biological order, and the other is our “cultural book” that fills our minds with language, concepts and the knowledge that ultimately shapes our understanding of the world and the actions we take based on it. This knowledge and the actions that people take based on it has an effect on the productivity and growth of societies and therefore their survival. If the rules and customs of society ‘A’ lead to more growth or the better discovery and spread of productive knowledge compared to other societies or human ant-farms, then there is a higher chance that society ‘A’s rules and customs spread to other societies. As summarized by A. M. Carr-Sunders:

“Now men and groups of men are naturally selected on account of the customs they practise just as they are selected on account of their mental and physical characters. Those groups practising the most advantageous customs will have an advantage in the constant struggle between adjacent groups over those that practise less advantageous customs.”¹

Let’s make the safe assumption that men are better hunters than women and women are just as good at gathering food as men. In our stereotypical tribal societies the men would hunt and the women would gather food, this rudimentary division of labor would be the most productive and therefore sustain the most growth and prosperity for the tribe. Let’s assume that tribe Muchaca’s traditional customs or rules divided its hunting parties as just described and tribe Oruga had a religious rule or custom that mandated that women had an equal representation in hunting and because of this the tribe would end up with as much gathered fruits(because both men and women are equally good at this task) but with less meat(because a mixed sex hunting party would do worse than an all-male hunting party), in other words, it would produce less than the optimal arrangement of having the men hunt while the women gathered. Given that tribe Oruga would produce less than tribe Muchaca, Oruga would not be able to nourish as many mouths as Muchaca, it would have a harder time dealing with famines/wars and suffer other hardships, the point is that it would be overtaken by Muchaca and eventually Oruga and its custom(rule) of having the men and women do the hunting equally would disappear, or in other words, be naturally selected against.

This is our first and highly simplified example of how culture contains knowledge that leads to a more productive arrangement of human beings. Given that groups are ultimately competing in our tribal zero-sum world, whether it be by conquest or having people migrating to the more successful groups, or copying and importing the rules that led to more productivity, the rules/customs/traditions/concepts that lead to more productivity will eventually spread and replace the rules/customs/traditions/concepts which did not lead to as much growth. The members of Muchaca could be no different genetically than members of Oruga, natural selection is no longer selecting on the characteristics of the individuals themselves but on the rules

of conduct/customs/traditions/concepts that lead to the more efficient and productive arrangements of human beings. The rules and customs we follow that give our societies order and ultimately help us be more productive than we would otherwise be without these rules, are not stored in our genes, they live in our culture and traditions, in our society, especially in our religions, in our written books, and most importantly for our modern societies, in our laws. This new type of selection, which acts on the rules or customs of groups of people as opposed to the people themselves and their genes is what we'll refer to as Hayekian selection, named after 1974 Nobel laureate in economics F.A. Hayek.

Societies are made up of thousands of such cultural rules and norms. We have marriage customs, customs about what is acceptable behavior, how to deal with people who do not follow such rules and many more. Every single rule or law has an effect in the productivity and growth and therefore survival of the social order. Given that a society is likely to have thousands of such rules it is hard to know the particular impact of any one of them when considering the overall growth and stability of a society. Most of the rules and customs serve to restrict the selfish behavior of individual members of society, behaviors that although beneficial to the individual might weaken the group. For example, I cannot think of a single culture in today's world that does not have some religious edict/law/rule/moral value against theft. Why is this the case? Theft is something that in the short run benefits the person doing the stealing but leads to problems like lower productivity and violence that weaken the group. Such a society would be naturally selected against and quickly cease to exist.

What about rules and customs relating to the punishment of crimes? What is the optimal punishment for certain crimes? If a man steals and he is killed it might deter many acts of theft but killing people decreases the number of people in your group and all the productivity that this person might contribute to your group in the future. If the steal-and-die policy results in many deaths the economic impact to the group might be bigger than the gains made by having less theft. How do we know what is the optimal punishment, the one that creates the best mixture of social stability and growth? One can only speculate as to how each custom grew or was born, and what exact impact on the social order it had but those are the small details one needs not be concerned about and are lost in our evolutionary past. The important thing is to understand that cultural norms/rules/laws impact the growth and spread of a society and that what at often times seem like silly laws or beliefs exist because they might have helped the group grow in ways that one cannot easily trace or understand. This last point will become especially important when we look at the evolution and impact of religions in a second.

What about nudity? Some people may ask "Why should I go to jail for being naked in public if I'm not harming anyone?" Why is it that the modern world has taboos or laws against public nudity? Sex is very important, we are all descendants of people that made reproduction a top priority, if the social rules and circumstances do not prevent people from spending all of their time and resources trying to compete with each other at the game of reproduction we might be stuck in our more tribal and barbaric past. You can't build a civilization when you have to spend most of your energy fighting over females. Sex and the competition and jealousy and all the turmoil that can

come from it can weaken a group from within and lead to a less stable social order and less productivity and growth.

What about prostitution? Prostitution is allowed in some places and not others and it is punishable by death in some Muslim countries. Prostitution, or again, pretty much anything related to sex just like our nudity example is a source of fierce internal competition and conflict which can weaken a group. Prostitution is also something that aggravates our instinctive egalitarianism, it gives an advantage to the more beautiful, an advantage that cannot be 'egalitarianized' or shared/spread amongst other members to appease our envy, and it also leads to costly internal turmoil. If prostitution is banned or religious rules forbid it, this changes the incentives for people, especially men, and channels their efforts in search for sex into activities that can have a more productive role for society, which brings us to marriage. The reason why marriage for most of the world's modern cultures is a bond between a man and a woman and it is often meant for life is because that particular arrangement might have been one of the key rules that led to increased productivity for the societies that enforced such values. In a marriage, society helps enforce a sexual union; both male and female know that there will be a heavy price to pay for infidelity, thus helping avoid costly sexual competition/turmoil. The reason why many of us mate for life is because the social rules that exist in the societies we are born in brainwash and at times force us into life-long partnerships. No one consciously invented the traditional family structure, it just happens to be that from the many possible combinations that the thousands of tribes and societies that have ever existed, the pattern of having a single man, be paired with a single woman happened to have been an important ingredient that led to more productive advantages over other arrangements, and therefore most of us in the Western world are cultural descendants of such morals². Over our evolution we might have gone from an Alpha-male-type pattern where a single strong man does his best to shut out everyone else from the mating game, to our one man one woman deal. But this has occurred due to this group/hayekian selection mechanism. We have polygamous families where people are very happy. And in today's world we are seeing the family structure disintegrate into I-don't-know-what-just-yet. What I am bringing up here is not to say which rules are best for society or even explain the effects of such rules. We just want to go over examples to train our minds to understand the way the selective process works.

³The co-evolution of the market process and culture can help us understand the evolution of concepts like "love". For example, in today's developed nations we talk about loving our children as though no price would be too high to save their lives from some disease and how we would gladly give up our lives to save theirs. This sort of thinking is rather new for most of mankind, until the last couple of centuries most people were living in mere subsistence and children were more of a crucial economic investment who were put to work as soon as possible, rather than the fruit of a "loving" relationship between a man and a woman. You needed children to help in the fields, with the animals, with food preparation, clothing manufacture, and many other arduous tasks we take for granted today in our world of microwaves, dishwashers and washing machines. Infants and children would die more often, making it riskier and less beneficial to invest too much in them, both materially and emotionally. Girl's marriages were arranged for the family's, or better said, the father's financial or status gains with little regard to

the young woman's wishes. Women were the property of their fathers and then of their husbands, and concepts like marital rape being a crime would have seemed absurd. Marital rape was not a crime in all 50 U.S. states up to as recently as 1976. The bottom line is that until recently family life was shaped by two main factors, the sort of inherited tribalism that makes females and children the property of the more physically dominant sex, and the immediate need to be productive. The values/ideologies/concepts that defined the family could be said to have been naturally selected to enforce such production and male dominance, and not enjoyment or happiness. Thanks to the tremendous productivity of factories during the industrial revolution, factory owners were offering farm workers more wealth/money than they could make in their farms, thus luring people to cities and away from farms. Cities allowed hundreds and thousands of people to work together in companies and achieve a far greater division of labor and knowledge than could have existed in the family farm or rural towns thus greatly increasing the social orders' productivity. In the farm, the family was the most important unit of production, but in the city, the most important unit of production became the company. During the early stages of industrialization, men, women and sometimes children would work in the factories, but as factories and the entire city-oriented social order became even more productive, and as the rapidly increasing wealth that was being generated had to be used by businessmen to compete for workers thus increasing their wages, eventually it became possible for mothers and children to make a comfortable living with just a working dad. More wealth also meant that you didn't need to have as many children. Children would change from an economic necessity to something you could enjoy more. Increases in productivity would give women more independence from abusive or less loving partners which in turn inadvertently put pressure on men to be more loving in general. As hayekian scholar Steven Horwitz summarizes:

“The family has moved from a predominantly economic unit to one that is predominantly about emotional and psychological satisfaction. For most of human history the answer to what I call the Tina Turner question “What’s love got to do with it?” was “not much”, but for the last 100 years the answer to the Tina Turner question is “everything”. The family became focused on love and emotional satisfaction: it never was for all of human history. And you can thank Capitalism for that ... Contrary to the views of many of its detractors, Capitalism didn’t destroy the family, it humanized it, it made it about love rather than prudence.”

Today many of us look at the “bad” way single mothers were treated in the past with a little contempt and it is becoming increasingly politically incorrect to induce any shame on single mothers. This is a first for mankind. “The Scarlet Letter” comes to mind, a novel set in Puritan New England in the 17th century where the main character, a woman by the name of Hester Prynne, is made to wear the scarlet(red) letter “A” on her clothes to identify her as an adulteress so that she could bear public scorn for her adultery. Why was contempt for adultery part of people’s cultural values? The answer seems intuitively obvious to most of us but let’s briefly go over it from an evolutionary perspective. A woman who is raising a child on her own means that there is a man out there who does not have to spend part of his resources

to raising this child so he has additional resources to have more kids with other women. This provides an advantage to this man over other men, which breaks the equality and egalitarianism that we have sort of evolved to feel comfortable with. A woman raising a child by herself is also more likely to fall on hard economic times and need charity. Human beings have evolved with the capacity to be charitable and caring, we can easily calculate that the tables could be turned any day, but we hate being charitable in a way that we know benefits or relieves someone of their duties to their advantage and to our detriment, which would be the case for the man who does not take care of the child. Natural selection does not favor suckers. Because of this we put social pressure via shame/killing/stoning/'honor killings' etc. depending on your culture and the times, to create the kinds of incentives that will ensure women do not give in to their desire to have an adulterous relationship. Widows are obviously treated with charity because we know that their bad situation is one caused by true misfortune. Moreover, for a similar reasoning is why most of us go along with forcing fathers to pay child support.

Why do we have this concept of "bad words"? What makes saying them so inappropriate? Even though it is actions that ultimately affect the world around us, words can change our mental ambience/setting/context and lead to thoughts which increase the probability of socially detrimental action. Again, anything related to sex fills our minds with imagery or incentives which increase the chances of sexual competition and all the instability that that can bring and this is why a lot of our bad words are related to sex. Besides bad words, proper gentleman in the traditional/conservative sense are to shun being loud or calling too much attention to themselves because this breaks our socially enforced egalitarianism. Again, all kinds of little things which can lead to differences in wealth, status, or anything that cannot be shared equally are 'egalitarianized' via our morals and social pressures. In more primitive cultures members of the tribe who do not show the proper level of resentment for not having shared or being too selfish would receive public shame or even be made social outcasts of the entire tribe. The word 'gentleman' itself briefly comes to mind. In a tribal world, such a word and the meaning that was traditionally associated with it would have done little good, in the tribal world we all wanted to be warriors, and being a warrior is something that appeals to our instincts much more than being a gentleman.

The most traditionally important rules are those related to, you guessed it, sex, and it is men who are most interested in enforcing them. Although as men we would love to abolish all rules that get in the way of having sex with as many women as possible, this is a very high risk game that tends to benefit a tiny percentage of the fittest males at a tremendous expense to the rest. A few studs, given our biology, can impregnate all the females. The fitter you are as a male, or the more successful you see yourself relative to those around you in the mating game, the more likely you are to calculate that breaking/abolishing the equality-imposing traditions is in your best interest. The less fit or successful compared to the studs the more it is in your best interest to enforce social norms that help bring about equality in the mating game.

From a more purely economic standpoint some rules/laws that might have been customary in the past which needed to be "broken" in order to create a more efficient market process which would eventually create our

modern social order were things like: allowing trade or interaction with outsiders; obviously the stronger recognition and respect of private property; the enforcement of contractual obligations, and again, especially when they also involve interactions with those outside of your tribe/group; allowing competition with fellow craftsmen in the same trade; allowing people to set prices freely instead of dictated by some custom or religious edict mandating what the 'just price' should be; allowing the lending of money, especially at interest. The people who "broke" such rules and charged whatever prices they wanted, or charged interest, extended trade to outsiders, or undersold members of the same trade when it was forbidden, in other words, these(as Hayek writes...)

"law-breakers, who were to be path-breakers, certainly did not introduce the new rules because they recognized that they were beneficial to the community, they simply started some practices advantageous to them which then did prove beneficial to the group in which they prevailed." (Hayek F. A., 1981, p. 161)

So again, people broke some rules, which led to the creation of new rules like allowing the charging of interest, freedom to charge whatever price one wants, to compete against anyone and so on, and without consciously inventing it, they were taking steps towards the evolution or creation of the market process which would take their societies to greater heights.

So to briefly recap. Our genomes are the books that describe our biological traits but our culture is like a book too, it is a book that is composed of the language, concepts, rules, traditions and ideologies that our brains assimilate as we grow up in our societies. Human beings are animals that depend on both books and have always lived with both. Obviously without our genome and genes we wouldn't exist but without culture and language we wouldn't exist either. Every human being has been raised by other human beings and has absorbed a language and countless cultural concepts that have led to enough productivity to be old enough to find a mate and reproduce. This unbroken chain of cultural absorption by our brains is as true and significant as the sexual intercourse which creates/transfers our genes.

Contrary to what many of us might intuitively think, sound logical thinking is not something that we are 100% born with, it is something that to a significant degree our brains are trained to achieve. The easiest way to understand the role of our "cultural book" and our ability to reason is to imagine what it would be like for a human being to grow up without any human contact whatsoever. What would such a human being be like? The closest thing to this is what are called feral children, children that grew up with little or no human contact. There are few known cases of such children and an even smaller number of well documented ones(many seem like hoaxes). The last one I am aware of is that of Sujit Kumar⁴ who was supposedly confined to a chicken coop during early childhood until he was 8 years old and moved to a nursing home where due to his weird and aggressive behavior he was mostly confined to his room for another 22 years. The mimicking process which we go through as our brains absorb culture and language had Sunjit making chicken sounds, pecking at his food and making other chicken-like mannerisms. He was not what we would classify as a rational human

being. The environment around him which his mind absorbed did not train his brain to act in accordance with what most of us would consider to be reasonable behavior. In the biological evolution chapter we also briefly discussed how important language is to thinking. Without absorbing an already-made language and symbolism from our culture, this physiological apparatus would be pretty useless or chaotic. The brain and its biology has co-evolved with culture. Just like there can be no culture without brains, brains cannot be fully functional without absorbing certain cultural elements like language and who knows what else.

As we grow up our minds begin to interact and absorb our “cultural book” whose language, rules, traditions, concepts, morals, etc, can be seen as its pages and sentences. It begins with our parents/guardians and the language/rules/morals/traditions/concepts they teach us. The constant interaction with them teaches our mind to think in ways that we consider to be more or less “rational” and our minds are obviously very good at picking this up, but “reason” and “rational” are concepts that can be somewhat relative. Our actions are only considered “rational” from the perspective of the ideology or “cultural book” of the people judging whether an action is rational or not. For an atheist, praying to what he considers a non-existing God is an irrational action yet for someone who does believe in God and feels like prayer is a way to reach him praying is a rational action. I hope that perhaps by the time the reader is finished with this book, people that do not understand the market process and act in ways that prevent it from working will be seen as a little unreasonable and irrational.

From a Hayekian perspective a man can be seen as a very powerful computer that has the potential for reasonable and logical thinking but what makes the computer truly useful and successful is the operating system and software that is loaded on to it as it “grows up”. A modern computer which is loaded with old software might be useless regardless of how advanced or fast it can be, while a less powerful computer loaded with modern software and Internet access can be far more useful. Culture, language, law, and economic institutions are like the software which really makes man able to build the social order and achieve great things.

It is natural selection and its inherent competition between cultures that inevitably selects for a more reasonable culture because a more reasonable culture leads to more productivity and growth. Hayek again:

“The basic contention of theory is rather that competition will make it necessary for people to act rationally in order to maintain themselves. It is based not on the assumption that most or all the participants in the market process are rational, but, on the contrary, on the assumption that it will in general be through competition that a few relatively more rational individuals will make it necessary for the rest to emulate them in order to prevail. In a society in which rational behavior confers an advantage on the individual, rational methods will progressively be developed and be spread by imitation. It is no use being more rational than the rest if one is not allowed to derive benefits from being so. **And it is therefore in general not rationality which is required to make competition work, but competition, or traditions which allow competition, which will produce rational behavior.**” (Hayek F. A., 1981, pp. 75-76)(emphasis mine)

This previous quote reminds me of those cultures or religions that are very

rigid and punish those whose thinking goes against religious dogma and thus keep society stuck in superstition.

A couple of sentences later Hayek criticizes...

“those who are inclined to argue that competition will not work among people who lack the spirit of enterprise: let merely a few rise and be esteemed and powerful because they have successfully tried new ways, even if they may be in the first instance foreign intruders, and let those tempted to imitate them be free to do so, however few they may be in the first instance, and the spirit of enterprise will emerge by the only method which can produce it. Competition is as much a method for breeding certain types of mind as anything else: the very cast of thinking of the great entrepreneurs would not exist but for the environment in which they developed their gifts.” (Hayek F. A., 1981, p. 76)

Culture is not designed by “rational” human beings. Most of the content of our “cultural books” was created by as almost as blind a process as that which shaped our biological genomes. Our “cultural books”, the language/rules/concepts that they are composed of, are like the lemons out of which our brains can make lemonade with. Little by little, concepts are picked up, others are forgotten/erased, but our minds are largely limited to using the concepts they grew up with to piece together their thoughts, actions, and understanding of the world. As Karl Marx put it: “It is not the consciousness of men that determines their existence, but on the contrary their social existence determines their consciousness”⁵. Now, I don’t want to make it seem like our reason has not gotten us anywhere, because it obviously has, we consciously use our reason to improve our lives, technology, etc., but the major designing influence in our culture has been natural selection selecting those customs/laws/ways of doing things that inadvertently led to superior social order.

Again, the market process and how its various institutions like money, banking/lending, interest rates and the supporting legal framework work to create the social order did not grow out of our reason. Their great benefits and the crucial role they have played in the growth of the social order can be seen more as side-effects of other more conscious actions.

Today we can find people following many “irrational” practices like astrology, and all kinds of superstitions, and these sort of irrational practices were even more common the farther back in time we go. These things are just part of the cultural books which people absorb and they inevitably use. These people believe that how they see the world is reasonable and they might “reasonably” add new concepts or customs to their “cultural books” based on their current understanding of the world. For example, someone in a given culture might hold the common belief that God creates storms to punish society when they have not been pleasing him, and they might also believe that sacrificing virgins pleases God, then they might “reasonably” sacrifice some virgins in order to show their reverence for God after being hit by a storm. But as societies mold their “cultural books”, even by what some might consider to be reason along the lines of our previous example, the real

designing of culture is done by natural selection, which selects those human ant-farms whose customs/laws/concepts/‘cultural books’ just happened to lead to a more powerful/stable order. Just like genes are blindly selected based on the fitness they provide for the organisms that are built by them, cultural rules and concepts are naturally selected based on the strength of the social order they help produce.

The modern Western world is not where it is today thanks to the reason and great thinking of specific individuals, the whole reason why these “great” men have been able to make such important contributions has a lot more to do to the cultural environment they inherited than their individual brains. There is no way Einstein, Hayek, Mises, or Newton would have been able to make the contributions they did if it weren’t for the tremendous contribution in terms of language/technology/concepts they inherited from the environment they were born into⁶. Supposedly Newton spent more time involved in various theological subjects than he did making his great contributions. This was a sign of the times. Einstein too was a sign of his time, and his very smart and genius brain and what must have been a great ability to reason did not help prevent him from falling for Socialism. On his essay entitled “Why Socialism” Einstein provides a recipe for more death and suffering that any benefits his breakthroughs in physics might have given us:

“Technological progress frequently results in more unemployment rather than in an easing of the burden of work for all. The profit motive, in conjunction with competition among capitalists, is responsible for an instability in the accumulation and utilization of capital which leads to increasingly severe depressions. Unlimited competition leads to a huge waste of labor...I am convinced there is only one way to eliminate these grave evils, namely through the establishment of a socialist economy, accompanied by an educational system which would be oriented toward social goals. In such an economy, the means of production are owned by society itself and are utilized in a planned fashion. A planned economy, which adjusts production to the needs of the community, would distribute the work to be done among all those able to work and would guarantee a livelihood to every man, woman, and child.” (Einstein, 1949)

This statement is obviously a recipe for the destruction of the market process and modern civilization.

It is thanks to our upbringing and interactions with other people that our minds are molded/brainwashed/programmed to think “rationally”, and therefore it is only after we have absorbed a “cultural book” that is as old as our own evolution, and whose content in terms of language/laws/concepts has been shaped by natural selection that we can “reason” what might be called new cultural rules/laws/concepts. As Hayek puts it:

“Learning how to behave is more the source than the result of insight, reason and understanding. Man is not born wise, rational and good, but has to be taught to become so. It is not our intellect that created our morals; rather human interactions governed by our morals make possible the growth of reason and those capabilities associated with it.” (Hayek F. A., 1989, p. 21)

In today’s modern industrialized countries what we consider to be reasonable

thought is much more common than it would have been 20,000 years ago. Supposedly early European anthropologists made contact with culturally primitive societies and they were treated as gods and so on. These people's level of rationality was based not on their brain's ability to reason but on the concepts and ideas which existed in the cultural books they absorbed as they grew up. Fortunately for most of us these days there is little doubt that taking a child from any of these primitive cultures and giving him a 21st century Western cultural book would allow it to be as reasonable as any one of us, and taking a child from our world and giving him a more primitive cultural book would greatly diminish his ability to reason as judged by our 21st century standards.

As our brains have evolved so has our ability to follow and absorb cultural rules/concepts, in other words, "cultural books" with more numerous and more complex customs whose rules helped us maintain a more stable and productive social order. We are also not direct descendants of a single culture. "Cultural books" are constantly updating themselves as people stumble upon new rules or spread them into other cultures, and sometimes entire "cultural books" are wiped out in a war in which case one "cultural book" completely destroys another. "Cultural books" are best described by understanding our religions and their importance which we will deal with in a second.

It is thanks to the great flexibility of our brains that we have been able to adapt our behavior to that which is required to follow the rules and customs that have made us more productive and therefore have led to our advanced social order. The farther back we go in the evolution of man the more rigid and inflexible our ability to alter our behavior was and this was due to our inferior and less flexible brains. If your behavior is very instinctual, in other words, more closely dictated by your genes, then any changes in such behavior that can lead to more productivity have to come about through the slow biological evolutionary process that alters genes, a process that can take thousands/millions of years. But if you have a very flexible brain that can quickly learn and change your behavior then you will be able to enjoy the benefits of increased productivity that come from following rules of conduct that lead to a better coordinated and productive society. How many of us have not liked being told what to do by our bosses, or have had to keep our cool when dealing with impatient customers? We hate following the very rules that help keep our world orderly. We hate waiting for green lights, waiting in lines at the supermarket, having to wait while the elevator stops at other people's floors, not being able to say exactly what we want in any given situation, paying bills on time, stopping when she says no, being on time and many more things. Our inherited instincts from the small group/tribal/ape-like world are to rebel and to always want to do what is in our immediate best interest yet we are human beings, we are special in the sense that not only are we a lot smarter but we can sort of 'override' our instincts to follow rules which although we might not like, are responsible for the social order that nourishes our very lives. As Hayek tells us:

"Man has been civilized very much against his wishes. It was the price he had to pay for being able to raise a larger number of children. We especially dislike the economic disciplines... The indispensable rules of the free society require from us much that is unpleasant, such as suffering competition from others, seeing others being richer than ourselves, etc., etc." (Hayek F. A., 1981, p. 168)

“Constraints on the practices of the small group, it must be emphasized and repeated, are hated. For as we shall see, the individual following them, even though he depend on them for life, does not and usually cannot understand how they function or how they benefit him.”...“Disliking these constraints so much, we hardly can be said to have selected them; rather, these constraints selected us: they enabled us to survive.” (Hayek F. A., 1989, p. 14)

Growing up is about programming/molding our flexible brains into learning all of these rules and rewiring them to be as happy as possible while doing so. We might not have a hard time reasoning how waiting in line at the supermarket helps give the world a more peaceful and productive order which benefits us all, but when it comes to losing our jobs to competition (especially when it is from another country/“tribe”), not being able to afford things that others can, and all of those things that go counter to our innate egalitarianism, yet are the foundations of our modern human ant-farms and we owe our very lives to, we definitely need more weaning. I hope that soon a man will not be considered an adult until he understands the market process. Our degree of brainwashing changes from person to person, some might get angry and honk at someone who cuts them off, yet others will pray that night so that God can fix whatever problem had the bad driver in such a rush, our brains are very flexible. Even if you could teach a monkey how to perform simple productive tasks, would you be able to train him in such a way that he would not run around and chase other monkeys and go “tribal” or “barbaric” from time to time? Maybe, but it would probably be a lot harder than with a human. Actually, monkeys are genetically very close to us and they too are very adaptable but obviously not as much as we are but I still wouldn’t count them out for many “human” tasks.

The flexibility of our minds needs to be stressed again. A properly functioning human being is made in the womb and then the brain is constantly being rewired as the child grows. When we are young our brains are more flexible and better able to mold themselves as they learn whatever language and symbolism the surrounding culture contains. Our mind also learns when it should give itself positive reinforcement by learning when to sort of release the necessary ‘happy chemicals’ and other mental changes that lead to the feelings of happiness/pleasure/well-being. In other words, while some things like sexual orgasms are pleasurable by pure biology, as we grow up we also teach our brains to trigger pleasure/happiness by training it with positive reinforcement, and by doing this we brainwash/teach/rewire our brains to trigger happiness while doing things that would cause discomfort if it weren’t for our previous positive reinforcement training/brainwashing/rewiring. For example, we are successful to varying degrees at enjoying things like sharing, helping others, even donating organs and raising other people’s children, but most importantly, resisting the temptation to break the rules upon which the social order is built.

In a way our brains work following a very simple pattern, they make us happy when we do things they think are good for us, they cause discomfort when we do things they think are not good for us and they also causes discomfort in order to induce us to do things that they consider to be in our best interest. When we stand in line at the supermarket we need patience and

restraint in order to overcome the desire to just skip people to get to the front of the line or just walk out with the goods. We need patience and restraint in order to follow and act according to the many rules we follow. There is always a little bit of discomfort when we restrain our behavior in order to follow these rules and this pain has to be bearable and manageable. When we envision a semi-tribal man, a caveman or some older ape-like ancestor we envision them as being brutes. Brutes are not supposed to be patient and able to control their impulses. As we grow up, we learn to be patient and to master the art of restraint; we adapt our minds to be able to put up with patience and restraint in a way that does not cause as much discomfort. As parents we play a crucial role in this brainwashing. We reward the good actions by greeting them with smiles and other mannerisms associated with happiness. And we act with disgust and punish the bad actions. It takes a while to brainwash/wean a child to follow rules whose resulting actions he may not consider to be in his best interest and therefore might cause psychological discomfort which can lead to the usual temper tantrums, but eventually the brainwashing works. We learn to use reason, to be able to see how by following certain rules we can navigate the world in a way that gets us closer to achieving our goals. Some of us have been brainwashed better than others. Some people seem to enjoy being 'nice' and patient more than others.

The best examples of how cultural evolution work can be seen in the workings and evolution of our religions which we turn to next.

Understanding religion

Human beings have evolved to deal with other sentient beings, mostly fellow human beings and to a lesser extent other animals. This anthropomorphism, or attribution of human motivation or behavior to things that have nothing to do with human beings comes naturally to us, and so does the desire to relate events and the order/complexity we see in the world to sentient beings. In Hayek's words "This view is rooted originally in a deeply ingrained propensity of primitive thought to interpret all regularity to be found in phenomena anthropomorphically, as the result of the design of a thinking mind." (Hayek F. A., 1973, p. 9) This is why simpler, more primitive religions have many animals and plants and natural phenomena(rain/wind/sun) for gods. There have been as many religions in the past as there have been isolated groups of people. Prior to the invention of writing, these religions could not have been very complex because they were limited by the amount of information that could be passed down orally through the generations. Once religious thought could be written down, the rules and stories could be more elaborate and more convincing to other brains looking to make sense out of the world. Having a holy book is pretty impressive. Regardless of how religious thought first emerged, religions are naturally selected for based on their ability to spread through the minds of people and the productive social order they help create and grow. So what are religions? After having discussed the evolution and importance of social norms/rules/customs/laws(Hayekian selection) it should be easy to realize that religions are identifiable collections of such rules. Religions are "cultural books".

Let's discuss some hypothetical as well as real major religions and see how the rules and values they preach and are composed of affect their growth and social order. Armed with an understanding of how the market process

builds the most powerful human ant-farms, we can look for the kinds of rules in society that lead to a smooth working of the market process. These rules are of course, respect for private property and individual freedom.

All doomsday type of religions where their members have to kill themselves to meet their God and so on cease to exist thanks to the piety of their members, so natural selection takes care of them pretty quickly. Others have such economically disastrous edicts that they are doomed to keep their society in backwardness and are quickly overtaken by more economically sound religions. Imagine a religion where people believe that once they died they needed to be buried with all of their possessions because they will need them in the afterlife. Instead of leaving behind wealth that could be used as a building block for the future, each generation has to reproduce all the wealth that people essentially destroy by burring it with them when they die. This would have a huge economic impact and make this society progress through time at a much slower rate than others and eventually suffer the consequences.

A religion that describes a world where your destiny is predetermined would have a detrimental effect on the motivation of its members to strive for better things since it is more likely that many will figure “why bother?”. A God that is very involved in the real world also would lead to a reduced incentive to produce. For example, if you strongly believe that your piety and reverence for God is the determining factor in your spiritual as well as material well-being because God will just bring you wealth if you are good and pious, then you might spend more time praying and doing things you feel might please God as opposed to working and producing real wealth. How a man sees himself in the world is also an important factor. For example, in Christianity man is seen as God’s ultimate creation, made in His image and the world is created by God for man to use for his purposes. As we learn from Genesis 1:26 “And God said, Let us make man in our image, after our likeness: and let them have dominion over the fish of the sea, and over the fowl of the air, and over the cattle, and over all the earth, and over every creeping thing that creepeth upon the earth.”. Now compare this fundamental Judeo-Christian scripture and the effect it has on the minds that absorb it to other views like Hinduism where man is not God’s ultimate creation but perhaps not much better than any other living thing and a monkey’s soul might be respected almost as much as a man’s. If you respect the sanctity of all other creatures then you will not use them to increase your well-being and therefore not progress as much as other religions where man can make use of and “have dominion over” them.

Monotheism, the idea that there is one single God, might have brought certain benefits like perhaps a more cohesive or coherent religion which could spread more easily through minds.

Omnipresence, the ability to be everywhere at all times is another very useful concept that would provide a great benefit to religions that used it to describe their God. Without God’s omnipresence you could get away with breaking the rules that give society order and only have to face the consequences brought upon you by fellow men. But if God is everywhere, watching your every move, you will be much more likely to follow those rules that give your society a productive social order. You might be able to steal and leech off of others and not get caught but God can see everything, not only is he everywhere all the time, he can even read your “impure” thoughts, so the

idea of breaking the social rules that give society order are prevented from entering a brain before they can even lead to action. A similar case can be made for the concept of “sin”.

Since our egalitarian brains are suckers for equality then we can expect religions/“cultural books”/ideologies that preach such values to be able to attract more brains and therefore spread. Being equal under the eyes of God appeals to more people because there are more people under the power of rulers than there are rulers. Imagine a religion or set of beliefs that describes some people as being chosen by God to be the rulers and the rest to be servants. This “cultural book” would not be as appealing to the many minds out there that would end up being the servants, and would therefore have a harder time finding believers and eventually face cultural extinction. The idea that God is an omnipresent and ultimate judge, not only prevents many selfish and socially detrimental acts as previously mentioned, but it might also prevent a cycle of vengeful violence by having some people believe that God will ultimately punish the wrong-doer as opposed to the injured party seeking immediate revenge. This helps eliminate costly internal violence which can weaken the group and it might be why “forgiveness” is a commonly preached value. Most religious individuals believe that God is “just” and in the end whatever injustices or inequalities exist on earth will be dealt with by God when the evildoer dies and either goes to heaven or hell or something along those lines. So one can see how this is all very appealing to our egalitarian brains and helpful at maintaining social order.

Unity and a sense of brotherhood too are important pages in our “cultural books”. As previously discussed, our evolved egalitarian instincts contain a strong desire to belong to groups. We are very ‘groupish’, and religions have been naturally selected for based on their ability to harness such desires for solidarity. Most religions I can think of have places of worship like churches, synagogues, temples, mosques, etc., to feel the strength of numbers. It is often times a source of jealousy, envy, and other dramas when people leave one church to go to another. Sermons and religious speeches often times are filled with unity and collective action, we feel great after an uplifting talk about brotherhood and how when we are all united nothing is impossible because in our tribal world unity was the most important element of many of the frequent tasks that required collective action, war/defense being the most important one.

Concepts like the idea that God is looking out for you and that there is an afterlife invigorate people in ways that can lead to substantially better results. For example, willingness to fight and the confidence while doing so is greatly enhanced if you feel like God will help you and that if you die life will continue elsewhere. This also has its downside for those whose religious zeal has them fighting wars where they are hopelessly outnumbered. But as a whole, believing that God is on your side of the battle is a great plus, and is therefore another idea/concept/‘page in our cultural books’ that will spread through societies since it helps them compete with other groups, which lack such helpful ideological concepts.

The idea that God loves each and every one of us also gives us an additional source of confidence. Many people have been saved from suicide because they suddenly stumbled upon God’s love for them and then went on to live happier and more productive lives. The concept of God and religion

also provides a plan that lays out a path that will meet our needs, like finding a mate and children. This sense of structure provides another psychological boost and ultimately helps the societies that have them have a more productive/powerful social order that inadvertently spreads such ideas.

To proselytize, to seek to convert others to your religion is another important “sentence/page” in our religious “cultural books”. A religion that does not seek converts is likely to be a religion where its view of its members is something along the lines of “we are the chosen ones and the rest are beneath us” or worse. This is normal and a natural outcome of our tribal instincts and tendencies to see those outside of our group as enemies. Primitive religions were of this sort, where the religious values went hand in hand with the instincts that led to the most stable social order in our tribal zero-sum world. Our tribal zero-sum environment was a place where war really paid off and survival existed only for those who killed others in order to increase the size of the economic and sexual pie available to them. Since population size was limited by the more or less constant amount of food and resources that nature could replenish, the best way to increase your economic pie was to kill, subdue or enslave others. For most of our evolutionary past trading and the respect for private property would not have helped us much. We had not yet stumbled upon farming, or domesticating animals, or coming up with a peaceful way of interacting that would somehow increase the economic pie beyond its natural replenishment rate. If there were no wars in the tribal world, we would all be living at the edge of subsistence in constant hunger, making the incentive to alleviate this hunger by wiping out the nearby tribe that much greater, until eventually it happened launching us back into tribal warfare. Being peaceful just made you an easier prey for the more aggressive minded folks and their more hostile values/religions/‘cultural books’/ideologies. Given that war and pillage was the best strategy for survival, the social values/‘cultural books’/ideologies of people at the time had to encourage and promote the us vs. them mentality which was crucial for our survival. No matter how brutal or backwards the religious values of tribal cultures, these ideologies/‘cultural books’ fostered the kinds of actions which were needed for survival in their respective cultures. As Herbert Spencer mentions:

“The question to be answered is, whether these beliefs were beneficent in their effects on those who held them; not whether they would be beneficent for us, or for perfect men; and to this question the answer must be that while absolutely bad, they were relatively good.

For is it not obvious that the savage man will be most effectually controlled by his fears of a savage deity? Must it not happen, that if his nature requires great restraint, the supposed consequences of transgression, to be a check upon him, must be proportionately terrible; and for these to be proportionally terrible, must not his god be conceived as proportionately cruel and revengeful?” (Spencer, 1888, pp. 446-7)⁷

As human ant-farms and their respective “cultural books” progressed to the point where the ability to increase the economic pie by market oriented means (the respect for private property and the inevitable peaceful trading that emerges from it) became more beneficial than through war, the more peaceful and market oriented human ant-farms started to displace the more warring

ones and their respective “cultural books”.

Little by little, religions that extended membership to bigger and bigger groups gained the benefits that come from less warfare and more opportunities for peaceful trade and therefore the better functioning of the market process and the more powerful social order that this would inadvertently bring. They would also gain a better ability to defend against other groups and to expand their social order by conquest. It should be no surprise that the world’s two major religions Christianity and Islam are proselytizing religions that extend membership to people of all races. This has not always been the case because genocide/slavery/war has been common in both religions for parts of their existence. Today’s major religions were born in a tribal world and they therefore preached the kinds of values which would yield a stable social order given the circumstances. We definitely don’t hear Sunday sermons teaching us that “When a man strikes his male or female slave with a rod so hard that the slave dies under his hand, he shall be punished. If, however, the slave survives for a day or two, he is not to be punished, since the slave is his own property.” (Exodus 21:20-21). Passages such as these are “cultural relics” whose values and rules would have helped maintain a competitive social order in the past but are no longer useful and actually would be very detrimental to our social order. They are analogous to our genetic relics, genes in our genomes that are not used (remember the umbrella organ).

So to proselytize not only helps religions grow but it helps the most pro-growth and ultimately more pro-market process, pro-individual freedom values/laws/‘cultural books’ spread. Religions or human ant-farms that grow powerful will owe much of their power to having rules and customs that lead to a more powerful human ant-farm, and by proselytizing they are not just converting others to their religions they are spreading the very rules and customs that lead to a more powerful social order. If a religion or “cultural book” did not seek to spread itself by seeking converts even if this religion had the most pro-market process values it would be limited by the slow growth of the population of its members, and be an easy prey to more numerous and more aggressive minded “cultural books”.

If we look at Christianity, some of its rules which differed from what was more mainstream at the time and inadvertently led to its growth were things like the prohibition of infanticide, condemnation of divorce, incest, marital infidelity and polygamy. In the Greco-Roman world where Christianity emerged, infanticide, especially of girls, was a common and accepted practice leading to populations of more males than females. For example, there were 131 males per 100 females in the city of Rome, and 140 males per 100 females in Italy, Asia Minor, and North Africa. (Stark, p. 97) The prohibition of infanticide would help Christian populations grow faster. These values/rules coupled with the relatively higher status afforded to women made this new religious movement much more appealing to women who would often times convert their husbands thus helping the religion and its values spread. Did early Christian theologians know that such values would play a significant role in the growth of Christianity and its success? Did they plan this? I doubt it. Such values and the social order they helped create were a result of natural selection acting at the sociocultural level.

At the heart of most moral values we can see our egalitarian instincts at play. As already mentioned, equality is what we are most comfortable with,

it is the “evolutionary stable strategy” that emerges out of the countless ways our instincts and incentives interact with the world and each other. If you are doing substantially better than others in some regard, you do not want equality, you want freedom from the social pressure which might force equality on you. If you are doing substantially worse you are for the enforcement of rules which lead to equality so that your relative position with everyone else is about the same instead of being a disadvantaged one. If the differences in wealth/females/etc. are too great, this leads to envy and subsequent internal conflict. Whether it is a few dominant males who are trying to shut out all the other males from the mating game, while the other males (since they are bound to be a larger group) gang up on the alphas, or some similar scenario whatever the resource might be, this causes internal conflict which is detrimental to the group and its ability to successfully compete in group competition. So on the one hand we have been naturally selected to be extremely selfish. Actually, it is not that we have been naturally selected to be extremely selfish, it is more like our minds are very susceptible to find it in their best interest to be very selfish. There is no gene that specifically says we have to be selfish or want to do what we would consider “evil” acts, it just happens to be that our brains can easily calculate and reach the conclusion that “evil” acts are in our immediate best interest. So this kind of functioning on our part might have us always looking for ways to gain an advantage over others, but at the same time we know that the tables can be turned, in which case we like, and want, socially enforced egalitarianism.

Given these fundamental forces at play it is easy to see how many of our religious/cultural values were naturally selected for due to their ability to prevent such internal strife by ensuring a more or less comfortable level of internal equality/egalitarianism.

Marriage between a man and a woman and the tendency for male/female relations to reach this pattern is an easy one to understand. Too many women per men leaves many men out of the mating game which will lead to a lot of internal strife/oppression and other things which can be detrimental to the productivity and stability of the group. This does not mean it doesn't happen, but the evolutionary stable strategy has recently moved towards a single man/single woman pairing. Why are our traditional ‘conservative’ morals so hush-hush about sex, why did we dress so conservatively? Well, as already briefly discussed, the more we can create a ‘cultural book’ that helps us program ourselves as to not make sex such a central part of our lives (if it leads to unproductive violence), the more we will be able to devote our energies and efforts towards other things and avoid the fierce competition, waste of resources, time, conflict that can arise due to a strong preoccupation with sexual competition. Our minds make a strong association with sex and something that is very much in our best interest simply because of the strong pleasure we get from orgasms and other biological impulses that make its pursuit so tempting. But fortunately for us, since our minds are very flexible and are able to mold themselves into liking different things, our traditional morals, which included our conservative ways of dressing and many other cultural elements that were parts of our ‘cultural books’, shaped our minds in ways where the constant mimicking process and success-to-characteristic matching that our minds go through as we program ourselves as to what to like and what to find offensive or repulsive, reduced the relative importance of sex and all that goes with it. A great example of this

can be found in the Islamic tradition of having women cover most of themselves. The Quran 24:30-31 states:

“And tell the believing women to subdue their eyes, and maintain their chastity. They shall not reveal any parts of their bodies, except that which is necessary. They shall cover their chests, and shall not relax this code in the presence of other than their husbands, their fathers, the fathers of their husbands, their sons, the sons of their husbands, their brothers, the sons of their brothers, the sons of their sisters, other women, the male servants or employees whose sexual drive has been nullified, or the children who have not reached puberty. They shall not strike their feet when they walk in order to shake and reveal certain details of their bodies.”

There is a tremendous amount of embodied wisdom in this passage. By having women cover themselves and only revealing their beauty to those whose family relationships are too close to make the women available for sexual competition, costly internal social conflict is avoided. And also the last sentence “They shall not strike their feet when they walk in order to shake and reveal certain details of their bodies” is almost telling women not to show off, again, due to the problems this can bring like perhaps the feelings of jealousy and inferiority the less beautiful might feel, and how it distracts men. Contrary to what many Westerners might think, this form of dress is preferred by most Muslim women, even those who might be substantially prettier than others and would seem to be on the losing end of such equality of looks that the dress code would bring. It is true that beautiful women might be losing an advantage but it also makes it easier for them to not worry about their looks as they get older or worry about the looks of their children. By having long dresses that in many ways make everyone look alike we are more likely to enjoy mates for the functions/services they provide instead of how they look compared to others. You look forward to having a wife/husband to have sex with, for company, division of labor within the home, family and so on, and much less because of what your mate looks like compared to others. This helps with self-esteem as well, people feel a sense of worth because of what they can do as husbands and wives more so than how they look compared to some ideal. I wouldn't be surprised that if we had a freer society, we would have a comeback of more conservative modes of dressing.

Let's briefly discuss how the idea of preference/beauty is formed in our minds. To some degree there is a certain biological component. I do not know to what extent a man can be programmed by upbringing into believing that 80 year old women are attractive. If a man grows up in a world where this is all he sees, to what extent would he find 80 year old women very beautiful? And then after living many years only knowing about the existence of 80 year old women how would he perceive or compare an 18 year old? A single very beautiful woman or a small group of them, especially in today's world of mass media where you don't even have to really see the beautiful women in person, can help reshape what a person's concept of beauty is. And if a few single very pretty women are what shape many men's ideas of what is beautiful, this would make many wives seem less attractive. I know, this is all pretty obvious. In today's modern world we deal with this by constantly striving to look like that which is considered attractive, we get fake boobs, spend tons in fashionable clothes, and spend a considerable amount of time exercising and so on. Yet with all of these struggles the rate of unfaithfulness and divorces

due to wondering eyes seem to be going up all the time.

Conservative/traditional values seem to put a lot more emphasis on chastity and sexual restraint on the woman than in the man. If you are going to try to tame sex and the inevitably fierce competition that it brings, it is a much more effective strategy to apply pressure and instill chaste morals on the female than on the male. This just happens to be the case because it is a strategy that is more in synch with our biology. If women are loose, and willing to have an illegitimate child here and there with a stud, we already mentioned how it breaks our innate desire for equality, but the way it wrecks social havoc might be as follows. If a man does not make an effort to be the guy who has the additional sex with the promiscuous woman and he is a nice tame guy, it will be other men, with less tame genes that will gain a reproductive advantage, and eventually if society always allows women to just sort of sleep around it will be those men who competed for the extra sex the ones whose genes and extra competitive characteristics which spread, eventually replacing the tamer fellows until every male is of the type that will fiercely compete for the loose girls. This has been a very oversimplified explanation, there is so much more that can go on here, but this sort of speculation will have to do in such a short book. Bottom line, more reasons to understand why natural selection has selected so many restrictive morals/customs to keep sex out of our minds.

Religious values just like everything else are subject to natural selection and we can see the process alive and well in today's America with issues like abortion, the acceptance of gays, women in the priesthood in the case of the Catholic Church and so on. "Cultural books" and their values ultimately survive and exist because they have human brains that absorb them. The pressure to be more inclusive to retain members and therefore remain relevant and survive ensures that religious values adapt to comply with whatever social values might have led to growth and stability. For example, the increased economic freedom of all human beings is something that leads to more productivity and will therefore help the human ant-farms that allow it, and religions have adapted their ways accordingly. Better treatment of human beings in general will seem more attractive to more people, who for the most part have been under the control of the powerful. In modern economies, where people of all walks of life realize how much alike all people are, this pressure to include all human beings and to be tolerant of some of their differences and tastes becomes even greater.

Biblical passages like:

"You have heard that it was said, 'An eye for an eye, and a tooth for a tooth.' But I tell you, do not resist an evil person. If someone strikes you on the right cheek, turn to him the other also. And if someone wants to sue you and take your tunic, let him have your cloak as well. If someone forces you to go one mile, go with him two miles. Give to the one who asks you, and do not turn away from the one who wants to borrow from you." (Matthew 5:38-42, NIV)

obviously cannot be followed too literally although it might have had a certain appeal which might have helped in attracting converts. The modern Western world is a cultural descendent of more war-like Christians. Let us also not forget our biological instincts and innate egalitarianism. Although the previous biblical passage dealing with the beating of slaves might be a cultural relic that would destroy our social order, Matthew 19:24 "Again I tell you, it is easier for a camel to go through the eye of a needle than for a rich man to

enter the kingdom of God.”, and I Timothy 6:10 “For the love of money is the root of all evil”, and other egalitarian/anti-capitalist ideas which are also detrimental to our social order are alive and well.

A family structure, as already mentioned, has been important for keeping the peace and other things, and obviously respect for private property is the foundation of our modern socioeconomic order. Communism/Socialism, good intentions and all, destroyed these two and suffered the consequences. As Hayek mentions:

“Among the founders of religions over the last two thousand years, many opposed property and the family. *But the only religions that have survived are those which support property and the family.* Thus the outlook for communism, which is both anti-property and anti-family (and also anti-religion), is not promising. For it is, I believe, itself a religion which had its time, and which is now declining rapidly. In communist and socialist countries we are watching how the natural selection of religious beliefs disposes of the maladapted” (Hayek F. A., 1989, p. 137)⁸

Today religion is under attack. Although I have tried to show religion to be a naturally selected phenomenon whose validity in terms of what it preaches I do not believe, and in many ways everything I have described here about religion serves to diminish its influence, one has to realize that religion got us to where we are. Our religious ‘cultural books’ have evolved with us and have created a world for us in which our questions and concerns have been handled in ways that have met our socioeconomic and psychological needs. Our religious customs and values have been naturally selected for and have given us life in the process, and people who blindly criticize religion need to understand the beneficial and crucial role it has played in creating the social order we owe our very lives to. There are many people out there boosting their egos by believing that somehow they are smarter or more ‘rational’ than religious individuals and so on, as if somehow their “rationality” makes them superior. It is very much in our nature to constantly try to find ways to show off and make ourselves seem better/superior to others and this is one issue where the most ignorant of atheists suddenly feels and acts like an arrogant genius. Again, religion is what we owe our very lives to; its rules/customs/ideologies/‘cultural books’ have managed to tame what would otherwise have been a very nasty beast. I just would like to see less arrogant militant atheists I guess, and you never know...

Before finishing this section on religion let’s briefly discuss a few more important concepts, they are “good” and “evil”, free will, and the “self”.

As our tribal man was developing language and concepts which could be combined to make better sense of the world and eventually lead to a more powerful social order, a concept which will help him sort, label, and communicate things that are good or bad to himself as well as the social order will provide a great advantage, and this is where the concepts of good/bad or good/evil come into play. Our social orders can be seen as constantly working on the ‘good and evil cycle’, which works as follows: human beings grow up and associate a set of actions with the words or concepts good and evil. Practices that are “good” are usually good for the cooperation and stability of the social order as a group, but might put the brakes on actions that are in the

immediate best interest of individuals and the continued copying of their genes, like rape, theft and so on, which are classified as “evil”. Brains that do evil and get caught are terminated/punished, and those that do good are allowed to survive and praised.

The concept of ‘free will’ is one that is losing its importance the more we tend to accept the important role that upbringing and the environment plays, especially as it relates to things like the punishment of crimes and poverty. I guess these days in the US the perfect example is that of a black teenage male who grows up with no productive role models in a crime/drug/‘semi-tribal machismo’ infested environment. Our culture provides the lemons out of which our brains can make lemonade with. This young black man’s lemonade is much more likely to land him in jail due to criminal behavior. Did he really have free will? Not really. Is he specifically responsible for his action? I don’t think so either. Should he be punished for his crimes. Yes. This is unfortunate in many ways but anything but this *in our current society* would have disastrous consequences for society.¹ The point I want to make is one I believe most people accept these days and is kind of obvious, that our free will is sort of constrained by the incentives, consequences, “cultural book” a person absorbs.

Finally let’s briefly discuss the concept of the “self”. I wonder at what point in our evolution did we begin using things like names to call each other? At some point referring to people by name was needed to improve the internal division of labor (“Ug do this. Guga do that”) which would have yielded tremendous benefits. At some point we began teaching this language and referring by name to our kids and the mind would begin forming a stronger sense of all that is associated with the body it controls. We have an idea of who we are, and as we grow up we brainwash ourselves into adhering to whatever cultural values are considered good and lead to a prosperous social order as opposed to bad/evil which might lead to conflict. Who we are is just a collection of mental associations that can be constantly altered by new associations and experience.

Religion and interest rates

The history of Judaism provides a great example of the interplay between human nature and socioeconomic evolution. In this brief section we will take a quick tour through the history of Judaism as well as Christianity and Islam with an eye on how the traits they share and where they differ has influenced the emergence of modern Capitalism.

Judaism, Christianity, and Islam are related in the sense that they trace their origins to Abraham and ultimately worship the same God. A little before the year 0, a Jew by the name of Jesus claimed to be the son of God. Those who believed this became Christians, and in addition to the Old Testament which is shared by both Jews and Christians, Christians incorporated into their holy scriptures the New Testament which describes Jesus’ life and teachings. Since Jews did not believe Jesus to be the son of God they dismiss the New Testament and stick to their Old Testament which is also referred to as the Hebrew Bible or Torah. At around 610 A.D., an Arab merchant, Mohammed,

¹ Criminal/penal/judicial systems will be discussed later.

was visited by the angel Gabriel (the same Gabriel mentioned in the Old Testament's Book of Daniel) and given the word of God which became Islam's holy book, the Qur'an. The Qur'an treats Christianity's main prophet, Jesus, as well as Judaism's Moses as God's earlier prophets, but with Mohammed being the last prophet and having compiled the Qur'an *directly* from divinity, this makes it, according to Muslims, the correct/superior interpretation of God's word. Islam saw Christians and Jews as "People of the Book" (ahl al-kitāb), or people who had been guided by earlier true prophets and worshiped the one true God according to Islam. This gave Christians and Jews and later other non-believers special albeit inferior standing in the Islamic world, they became "dhimmis" or "protected peoples". The status of non-believers in early Islam can be summarized with the following statement made by a Moslem general to the Persians in A.D. 633. He said to them:

"In the name of God, the Merciful and Compassionate. Become Moslem and be saved. If not, accept protection from us and pay the poll tax. If not, I shall come against you with men who love death as you love wine."

Non-believers were essentially forced to enter a pact with the Muslims in which adult males would pay a tax called the "jizya" which would essentially buy them the freedom to practice their religion and have a certain degree of autonomy *as well as the Muslims' protection*. For example, in A.D. 636 Islam controlled most of the lands of Judea or modern day Palestine/Israel. At the time Moslem leaders realized that they could not protect the Christians and Jews living there against coming Roman troops so they gave them their money (the jizya) back. The Moslem leader told his tax collector:

"You should therefore refund the entire amount of money realized from them and tell them that our relations with them remain unchanged but that as we are not in a position to hold ourselves responsible for their safety, the poll tax, which is nothing but the price of protection, is reimbursed to them" (Adam, p. 133)⁹

This brought tears to the eyes of the Christians who told the Muslims "May God bring you back to us"¹⁰.

The economic policies of early Islam played an important role in its fast growth. According to tax historian Charles Adams, one of the reasons Islam spread so fast during its infancy was due to the relief of oppressive Roman taxation that converts would enjoy. Adam mentions: "In less than 120 years, with an offer of tax immunity, Islam spread very quickly, expanding into India in the East and coming to a halt at the Atlantic Ocean in the West. The main loser was Christianity, which was tied to the oppressive Roman tax system. No religion, before or since, has spread so far, so fast." French political thinker Montesquieu makes a similar observation in his "Spirit of the Laws" when he writes:

"It was this excess of taxes that occasioned the prodigious facility with which the Mahometans carried on their conquests. Instead of a continual series of extortions devised by the subtle avarice of the Greek emperors, the people were subjected to a simple tribute which was paid and collected with ease. Thus they were far happier in obeying a barbarous nation than a corrupt government, in which they suffered every inconvenience of lost liberty, with all the horror of present slavery."

Unlike Islam and Christianity, Judaism is closely associated with an ethnic identity, that of the “Children of Israel”, a collection of tribes that lived in modern day Israel about four thousand years ago. Because of this Judaism still contains a relatively strong ethnocentrism which manifests itself in Judaism’s lack of proselytizing or conversion-seeking activities that lead to Judaism’s comparatively smaller population. These days, thanks to the already evolved global trend to consider all human beings as equals, the more traditional and stronger tribal ethnocentrism of Judaism has been somewhat relaxed and supposedly anyone can convert to Judaism even if you do not have a direct blood relation via your mother, but such conversions are still relatively rare, looked down upon by certain groups, and much tougher to attain than for Christianity and Islam. For example, males have to go through a painful adult circumcision.

Their smaller numbers, coupled with their obvious disagreements with respect to the righteousness of the much larger surrounding religions has made the history of the Jews one of numerous persecutions/expulsions/pogroms. Although Judaism’s ethnocentrism and lack of proselytizing has its downside when it comes to having a population size that can adequately defend/expand its social order, Judaism does have the benefit that since it does not compete for souls as much as Christianity and Islam it is not as much of a threat to them which makes it easier for Judaism to be tolerated.

Perhaps Judaism’s most important influence has been in the area of banking/‘money lending’/‘charging interest on loans’/usury. In the previous chapter that dealt purely with economics we discussed the crucial role that the interest rate plays in coordinating the social order. Without lending at interest and all the modern economic constructs that depend on interest rate related calculations there is no way that the social order could have grown to or maintain its current heights. Once again we want to remind ourselves of the very basics, that the social order is just one gigantic chain reaction that transforms matter into the life sustaining wealth that nourishes our bodies, cities and everything that contributes to social order. This transformation of matter requires precise knowledge, and interest rate coordination plays a crucial role in pairing resources with the required knowledge.

Charging interest on loans has often been shunned because it is offensive to our sort of innate sense of fairness or ethics. The money-lender, who makes money by charging interest on loans, makes money without having to seemingly spend any time or effort. This just seems “unfair”, but why? A simple evolutionary explanation goes as follows: because the lender can be doing other things that can provide an evolutionary advantage while the borrower is tied down while he pays the interest. With this in mind for just one small paragraph, let’s touch upon an even more fundamental problem that had to be overcome in order to evolve the market process: determining what the legal or fair price of things should be.

Let’s say I have to work for 3 days to create item X while you only have to work for 2 hours to create item Y and then we trade them. Although this trade might not involve any coercion and I might be very happy with it, it reflects a world that would be more advantageous to you because you’d have

more time to increase production in other ways and ultimately have some sort of resource/evolutionary advantage. In order for one to prevent others from having an advantage we are inclined to expect that the price of things be related to the amount of time consuming labor that went into creating them, perhaps leading to our susceptibility to “the labor theory of value” inherent in Communism and to reject freedom/free-trade. Back to Judaism and interest rates.

Since money-lending is offensive and unfair given our somewhat innate tribal ethics, it makes sense that our religions have edicts that shun it and have inadvertently led to roadblocks to economic progress. For example, Islam has strong prohibitions against charging interest which have short-circuited or greatly hampered the market process’ evolution in the Islamic world. The following passages from the Qur’an are perhaps the most relevant:

“That they took usury, though they were forbidden; and that they devoured men's substance wrongfully;- we have prepared for those among them who reject faith a grievous punishment.” 4:161

“Those who devour usury will not stand except as stands one whom the Evil One by his touch has driven to madness. That is because they say: “Trade is like usury,” but Allah has permitted trade and forbidden usury...” 2:275

“Allah will deprive usury of all blessing, but will give increase for deeds of charity: for He does not love ungrateful and wicked creatures.” 2:276

Christianity’s New Testament seems more usury-friendly via passages like, Luke 19:23 “Why, then, didst thou not put money in a bank, so that I on my return might have gotten it with interest?”, but Luke 6:35 “But love your enemies, do good to them, and lend to them without expecting to get anything back” could be used to support an anti-usury position which is what the Church enforced for over a thousand years before eventually abandoning the strong anti-usury stand.

When it comes to Judaism and the Old Testament, God’s message is one that shuns charging interest between Israelites/Jews but allows it to be charged to non-Israelites. The most influential verses are Deuteronomy 23:20 “You may charge a foreigner interest, but not a brother Israelite...” and Exodus 22:25 “If you lend money to one of my people among you who is needy, do not be like a moneylender; charge him no interest.” This is a good example of mankind’s tribal ethnocentrism shunning a practice which is believed to be bad within the group, but allowing its use with those outside the group. The fourteenth-century French Jew Levi ben Gershom felt it was good to burden the gentile with interest ‘because one should not benefit an idolator... and cause him as much damage as possible without deviating from righteousness.’ (Johnson, 1988, p. 174)

The few religious scriptures we have just read might have had profound ramifications. In a Christian world that would excommunicate usurers/moneylenders, Jews being immune to excommunication found an

advantage as moneylenders, although an advantage that also came with risky court battles as Christian creditors would sometimes try to play the “charging interest is against God” card when it came to paying their debts. The prevalence of Jews as moneylenders even shows itself in the Magna Carta where there is a small section establishing some rules when dealing with Jewish moneylenders¹¹. Historian Paul Johnson writes:

“The Jews reacted by engaging in the one business where Christian laws actually discriminated in their favour, and so became identified with the hated trade of moneylending. Rabbi Joseph Colon, who knew both France and Italy in the second half of the fifteenth century, wrote that the Jews of both countries hardly engaged in any other profession” (Johnson, p. 174)

Johnson mentions a few ways in which Jews helped push the world in a more capitalist direction. One was financial innovation via their influence in the development of systems like stock markets. Another was their stress on the importance of selling and advertising. Advertising is all about showing off your superior product due to price or quality and this naturally can upset competitors. Historian/Economist Werner Sombart mentions how according to the values at the time “To take away your neighbour’s customers was contemptible, unchristian, and immoral” (Sombart, p. 129). Johnson also mentions how “Jews were exceptionally adept at gathering and making use of commercial intelligence.” (Johnson, p. 286) For over 2,000 years Jews had evolved into a sort of extended family that covered much of the Western world, “they ran sensitive and speedy information systems which enabled them to respond rapidly to political and military events and to the changing demands of regional, national and world markets.” (Johnson, p. 286) The September 27th 1712 issue of England’s *Spectator* described the Jew’s influence as follows:

“They are so disseminated through all the trading Parts of the World, that they are become the instruments by which the most distant Nations converse with one another and by which mankind are knit together in a general correspondence. They are like the pegs and nails in a great building, which though they are but little valued in themselves, are absolutely necessary to keep the whole frame together.” (Sombart, p. 171)

It was bad enough that they rejected Christ as the savior and practiced usury; but Jews were also fierce competitors who would upset Christian businessmen by disrupting their anti-competitive customs, all for the benefit of the consumer and European social order. In other words, Jews were superior Capitalists. For example, in 1745 Toulouse France, Christian traders complained that “everybody runs to the Jewish traders.” (Sombart, p. 126) In Poland, 1619, “difficulties and stumbling-blocks are put in the way of merchants and craftsmen by the competition of Jews” (Sombart, p. 126). In England, 17th century English merchant and one time governor of the East India Company Josiah Child mentioned, “The Jews are a subtil people... depriving the English merchant of that profit he would otherwise gain.”¹² In Prussia, 1750 “The merchants of our town...complain... that Jewish traders who sell the same goods do them a great harm, because they sell at a lower price.” (Sombart, p. 142)

The aforementioned qualities all came together to produce one of the wealthiest and most powerful families ever, the famous Rothschilds, whose wealth and power could well be described by the following statement made by Nathan de Rothchild :

“I care not what puppet is placed upon the throne of England to rule the Empire on which the sun never sets. The man who controls Britain’s money supply controls the British Empire, and I control the British money supply.”

How traditional morals work

So called morals have a lot to do with, once again, enforcing the sort of equality that leads to a stable social order. Traditional morals shun showing off and laying praise on qualities that cannot be shared or possessed by everyone. According to traditional morals if you have beautiful daughters, you don’t raise them to take advantage of their looks, on the contrary, it is considered virtuous to forego those advantages that most cannot have. Daddy’s little princess is groomed to be more virtuous, her beauty is like an extra special gift that should go to a man that has done great things for society; to the doctor, the respected member of the community, etc. And definitely not get knocked up by the local playboy who doesn’t have a job but uses his charm and good looks, something that does not add value to society and might not be possessed by others giving him an “unfair” advantage. By doing this sort of thing we create an environment that helps mold us into liking things that everyone can achieve and encourage productivity while disliking things that are not conducive to everyone’s happiness and leads to potentially unproductive habits. If we put too much emphasis on looks then there will be a small number of more beautiful people who set a standard for what is preferred that most cannot achieve, and given the way our minds work, how they are constantly making associations between traits, mannerisms, etc, and what is considered best, an increasing number of people fall into the pattern where they will be unhappy because they cannot associate themselves with that which the trendsetters are creating. This is the kind of thing that makes some fear genetic engineering and the legalization of steroids/etc. We fear that suddenly many people will want to look a lot better, or some particular “look” becomes the ideal and the rest of us will either have to go along or have our kids grow up in an environment where they are relatively uglier and less associated with those characteristics that are considered attractive/successful. Any setting where we are associated with qualities that are not as good as those of others naturally make us feel a little uncomfortable, especially if everyone around us considers those qualities to be important. We tend to measure our success relative to others and for the obvious reasons we tend to avoid such situations. We already discussed this in the biology chapter. A modern example of this is the online social sites like myspace and facebook where a sort of subconscious popularity contest seems to drive some of what goes on. We just want to be associated with that which is considered fun and cool or praised by our culture. Without a certain cultural brainwashing that tries to shape a culture where people regardless of looks and age have a high sort of cultural value or self-esteem, you get a skewed value scale where youth and a certain look/culture is what sets the trend and everyone else is playing catch up.

As we age, we have even less incentive to show off our looks and

have a culture that places so much emphasis on looks etc., so older folks play an important role in creating a cultural ambiance that also shuns such inequalities.

All of this cultural brainwashing greatly varies due to upbringing. Plenty of us are happy with our average looking significant others, we have brainwashed ourselves to enjoy various aspects of their company that downplay how someone looks compared to some ideal. For some people an important part of this brainwashing is religion. Knowing that their lives and marriages are part of some greater plan helps them appreciate their spouses in another positive way that an atheist might not have.

We also praise hard work, self-reliance, and professional achievement. These are things that everyone can achieve and lead to a more productive society. Religion greatly helps here as well. We are all equal under the eyes of God, so that too helps us associate great qualities that are held by everyone. We teach our children to try to put themselves in other people's shoes, this way we can perhaps feel some of the pain our actions might have on others and hopefully this exercise will once again motivate us to act, live, and praise those things that everyone can excel at and have good consequences for society.

These traditional morals which are pretty universal and shared by grandparents of Americans, Chinese, Arabs, etc. have worked pretty well. For most of our evolution life was not about how "cool" your partner was, you just looked forward to having one and having enough wealth so that your children were well fed. People who deviated from these morals were quickly shunned and seen as selfish or sinners, etc.

These morals and attitudes are changing. In some ways more emphasis is being placed in looking great and "having fun" than it is on professional achievement and raising happy and productive children, at least in the US. Just looking at regular TV shows gives us a clear view of the differences. While in the 80s there were many shows centered on family like the Cosby show and others, today we have Sex in the City: 30+ year old women being cool and glamorous in various ways, yet very little about traditional family life and children. In a different culture such a lifestyle might seem boring or without purpose and no fun compared to raising a batch of kids. In the US it seems like in the mainstream we have shows about cops and criminal investigations, about medical dramas, but very little in terms of family life. Is this representative of something wrong?

Concluding remarks

In this chapter we have looked at the evolution of culture and subsets of culture like religion. Our "cultural books" contain the lemons out of which our brains can make lemonade with. Our cultural books and their pages and concepts are shaped by group selection. Each set of laws/customs/ideas which make up a cultural book is responsible for the social order that it helps create. As societies grow or perish their cultural books spread/adapt/perish. The two most important factors in cultural books is their ability to prevent internal conflict as well as their ability to guide the actions of people in the

most productive way that will ultimately lead to a more productive and powerful social order. This higher productivity inadvertently comes about as cultures respect individual freedom more and more, inadvertently creating the market process.

Rules relating to sex are crucial given the biological importance and potential turmoil relating to it. Some form of marriage custom has evolved to help deal with this and currently the one man one woman rule has been the winning strategy for most cultures, but it is important to note that it is impossible to predict that this arrangement is the best thing for mankind going forward. We certainly know that biologically we are polygamous and much more like our primate cousins the chimpanzees and bonobos. Fake boobs, genetic engineering coming down the line, birth control, women's freedom and who knows what else the future holds makes predicting what might emerge impossible. Earlier we discussed how the tolerance of some 'law-breakers, who were to be path-breakers' in the economic sense when it came to things like charging interest on loans inadvertently led to a more prosperous world. Similarly, additional freedom to tolerate some feared or disliked practices like perhaps prostitution might inadvertently have a similar effect. Thanks to the large amounts of wealth, safety, and tolerance that our modern societies now provide, even a single mother can easily provide for her children helping reach a new level of individualism that can make breaking away from the traditional family structure possible. It is increasingly tolerable for women to be single mothers and for people to be in relationships where they help raise other people's children. For example, in Mexico City, Mexico, they are attempting to issue 2 year marriage licenses. Imagine that somewhere, something like prostitution makes a breakthrough in terms of freedom and is completely decriminalized and perhaps even encouraged. What long-term effect would this have? What effect would this have on the 'entertainment industry', how much more productive would men be if instead of spending tons of money and time in various social activities, which for many men are ultimately a hoop to jump in order to have sex, they could spend that money and time in more productive activities? The bottom line is that what if regardless of the fears or concerns most people have about it, it turns out that it would have been an overall net benefit which ultimately led to a more prosperous and powerful social order just like some of the previous economics-related 'law-breakers, who were to be path-breakers'. Anyways, I'm not advocating for prostitution, I just want to make the point that our ever-changing societies will lead to changes whose repercussions we will never be able to fully predict, as Hayek said:

"Man is not and never will be the master of his fate: his very reason always progresses by leading him into the unknown and unforeseen where he learns new things" (Hayek F. A., 1981, p. 176)

Let's reset our minds for now and look at how government works and inadvertently destroys progress.

¹ A.M. Carr Saunders, "The Population Problem, A Study in Human Evolution"(Oxford, 1922) page 223

² See "Is the Family a Spontaneous Order?" by Steven Horwitz here

<http://myslu.stlawu.edu/~shorwitz/Papers/FamilySO.pdf> for a more insightful look at the evolution of family structure.

³ In this paragraph, up until the quote by Prof. Steven Horwitz I attempt to summarize some of the points he made in a lecture given at the Foundation for Economic Education titled “Economics and the Family”.

⁴ See <http://www.youtube.com/watch?v=2Vk98Njxp8A>

⁵ <http://www.marxists.org/archive/marx/works/1859/critique-pol-economy/preface.htm>

⁶ Let’s quote Spencer:

“Those who regard the histories of societies as the histories of their great men, and think that these great men shape the fates of their societies, overlook the truth that such great men are the products of their societies. Without certain antecedents—without a certain average national character, they neither could have been generated nor could have had the culture which formed them. If their society is to some extent re-moulded by them, they were, both before and after birth, moulded by their society—were the results of all those influences which fostered the ancestral character they inherited, and gave their own early bias, their creed, morals, knowledge, aspirations. So that such social changes as are immediately traceable to individuals of unusual power, are still remotely traceable to the social causes which produced these individuals; and hence, from the highest point of view, such social changes also, are parts of the general developmental process.” –The Social Organism(1860)

⁷ Herbert Spencer’s Essay “The Use of Anthropomorphism” in his book “Illustrations of Universal Progress”

⁸ Words in italics are that way in original text.

⁹ I found this quote on Charles Adam’s “For Good and Evil: The Impact of Taxes on the Course of Civilization” ISBN 1-56833-235-1 pub. by Madison Books. With respect to the original source Adam mentions, p.491 :

“The author cannot locate his original source for this quotation; however, the event is confirmed in Dennet, *Conversion* pp 55-57, citing Moslem sources. The poll tax was protection money; when protection could not be provided a refund was required. See “Islam and the Jews,” Jacob. R. Marcus, ed. *The Jews in the Medieval World, A Sourcebook*(New York, 1975) pp. 13-19”

I also found the quote and more information about the context at <http://www.submission.org/war.html>

¹⁰ Ibid. page 134

¹¹See <http://www.fordham.edu/halsall/source/magnacarta.html>

Also http://en.wikipedia.org/wiki/Magna_carta#Jews_in_England

¹² Sombart refers to : “Josiah Child, *Discourse on Trade*, 4th ed., p. 152. Child reports the prevailing opinion without saying one word by way of criticism. But he does make it clear that the accusation leveled against the Jews is no crime at all.” Sombart,p355

V. Government Planning vs. The Market Process

In this chapter we are going to see how government intervention in the private sector, in other words, government interference with the market process via its confiscation and redistribution of wealth and regulation of the economy, leads to most of our socioeconomic problems. We begin with the origins government itself and a little history.

The origins of governments

In our tribal world, just like in the lives of our closest relatives bonobos and chimpanzees, we (especially men) were always seeking power and were members of a pecking order. More power eventually translates itself into more food, more protection, more females and therefore more copies of power-seeking genes spreading through the population. If you are not looking for more power and ways to exert power over others to your advantage, others will be trying to exert power over you and you will be at a disadvantage and therefore there will be less food, backup, and females for you and your “peaceful” genes will not make it on to future generations. We are all descendants of the power hungry types. If it is somewhat in our nature to seek power over others, it is also in our nature to resist such power.

The very root of government can be found in this desire to exert power over others, especially men for the benefit of increased access to females. But we know that modern governments are not the result of men trying to increase their access to females, although there can be no doubt, that being a powerful politician with thousands of people treating you as their leader often times translates to lots of confidence, prestige, power and ultimately success with women. But this is obviously not the real characteristic from which our modern governments descended. Our simple tribal dominance hierarchies have another important trait that is not based on the strong/powerful wanting to subdue the weak/powerless. Dominance hierarchies were crucial for collective and coordinated actions of the group, actions where the entire group had to act towards a common purpose. A group of human beings finds itself in many situations where most members of the group need to act as one towards a common goal: we need to coordinate things like migrations and hunting, but most importantly we need to act as one for war/conquest/defense.

For most of our evolutionary history war/defense was the most important activity that needed collective action. War can be painful and cost us our lives yet men have been naturally selected to love it, it is exciting to be out there taking out the enemy, it gives us a great sense of purpose. Young men full of testosterone are suckers for it, whether wars are just or not, who cares, we have not evolved to reason what is just or not when it comes to war: all that matters to our instincts is us vs. them, we are the good guys, they are the bad guys. By killing others we are making the world safer and more plentiful for ourselves. In every country being against or not supportive of its troops is a major sin. Every country also has its own unique uniform to solidify group identity and cohesion which is so important for successful unified

action. Since unity has usually been the most important factor in war, it should be no surprise that desertion has traditionally been punishable by death. Societies that did not enforce such unity would not have been as successful in war and have been naturally selected against, therefore we are all cultural descendants of societies/groups that took a strong stance against desertion, and for unity.

In our market process coordinated modern world, unity is no longer the most important factor in war, the market process and its ability to easily/cheaply transform matter into powerful weapons is what gets the job done. Unity, courage, fearlessness, valor were the most important traits in a tribal world where there was no market process and all human beings were more or less equal in their physical and technological abilities. The most united, bravest, fearless, and patriotic American Indians were no match for the “white man’s” technology and neither were the Japanese when fighting an American army powered by the most powerful market process coordinated human ant-farm the world had ever seen.

Another important function of government is to enforce the rules which society follows and help give it a more stable and productive order. Let’s imagine a 100 person government-less tribe. If there is no fear of a government-like power hierarchy of people enforcing rules of conduct then the incentives for extreme selfishness and things like theft become much greater. A strong-man might take advantage of surprise/circumstance to subdue/steal from others and since there is no alliance that enforces rules against theft, in other words, since there is no concept leading to what would be considered a primitive government, this strong-man would be able to get away with it. But this would only mean that two or three men could form an alliance, a group, to use their combined strength to subdue others. This government-less tribe would be plagued by internal strife and be easily overtaken by an external tribe who avoided such internal violence, and even if this government-less tribe did not face extinction due to external competition, a natural government hierarchy would still form because in order to exploit the solitary members of society effectively, other members would have to form alliances which were mutually beneficial where their members followed certain rules of reciprocity essentially leading to a government-like structure; rules like “I help you and you help me”, then “we agree to not attack each other”, or to “defend each other when attacked by others”. Following these rules would allow those who follow them to increase their dominance over others and eventually rise to the top and in doing so bring a primitive government and more stable social order where there was none before. We have been under the influence of some kind of government or dominance hierarchy for during our recent evolution. Chimpanzees and other primates have political structures, with powerful males and their network of alliances liked together by a history of favors and coercion. This naturally evolved into our stereotypical tribal world with its elder/religious leaders or similar types of power hierarchies.

The recent evolution of law and the emergence of the modern socialist mindset

If we compare the values and ideologies of the past to those of the modern Western world, it is easy to see that there have been some major

changes, like a more equal treatment of women, and a more equal treatment and tolerance of people of different races. These changes have been good for mankind and they have been possible thanks to the fundamental change from an inevitably brutal zero-sum world to our highly productive non-zero-sum market-process-coordinated world. Unfortunately our ideas of what law is and how it should work have changed in a bad way.

In today's modern societies most of us are familiar with the concept of "separation of church and state". This is a rather new concept for mankind, if we go back in time just 500 years or so we see that most of the world was ruled by religion, the church/mosque/temple served both moral and political functions. In Europe, where modern Western civilization grew out of and will always be the implied historical setting for our discussion, some form of Christianity was more or less both church and government. Law was not created via what we call legislation, where politicians decide what is right/wrong/lawful/unlawful, and anything can be voted into law and be considered just or unjust like it is today. For a considerable part of our history, law was whatever people thought God's laws and justice were, not what we decided it ought to be. As Hayek mentions:

"This medieval view, which is profoundly important as background for modern developments, though completely accepted perhaps only during the early Middle Ages, was that "the state cannot itself create or make law, and of course as little abolish or violate law, because this would mean to abolish justice itself, it would be absurd, a sin, a rebellion against God who alone creates law." For centuries it was recognized doctrine that kings or any other human authority could only declare or find the existing law, or modify abuses that had crept in, and not create law. Only gradually, during the later Middle Ages, did the conception of deliberate creation of new law –legislation as we know it– come to be accepted." (Hayek F. A., 1978, p. 163)

Today's newer way of looking at law, the law that is deliberately manmade via politicians and whatever the public wants, what we also refer to as legislation, is called Positive Law or Political Law. The older law, the one that human beings felt they were discovering, as if they were universal laws of nature, created by he who creates nature, God, is called Natural Law. Let's look at one of the most important Natural law based documents in the history of mankind, The United States Declaration of Independence, which begins as follows:

"When in the Course of human events it becomes necessary for one people to dissolve the political bands which have connected them with another and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation.

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."

The underlined words clearly show a Natural Law mindset on the part of their

author, Thomas Jefferson, and that of the intended audience, the American 'insurgents' who refused to put up with a British government they felt was unjust. So why is natural law better(at least in my current argument) than positive/political law? Am I suggesting we go back to some sort of theocracy? No... Before we really answer this question let us think about what law really means to the social order/society.

The laws of physics tell us how billiard balls work and thanks to this knowledge we can plan our shots, derive and predict the behavior of the balls, and go about accomplishing our goal of getting the balls in the pockets. Imagine if the laws of physics were different on each half of the pool table. Let's say that on one half the laws are how we expect them to be as usual, and on the other half the balls don't roll on the table, they slide, and therefore slow down much faster than if they rolled. Your original goal of getting the balls in the pockets just got a little more complicated because you have to take into account two sets of laws as opposed to one. But that is not that big a deal because at least these new laws of physics are still predictable. Now imagine if the laws of physics change in an unpredictable manner depending on where the balls are on the table. Let's say every time a ball crosses the middle of the pool table it changes direction in an unpredictable manner. Now the easiest of shots becomes unpredictable even for the greatest of pool players. The laws of physics are to playing billiards what the laws of society are to the workings of the human ant-farm. The same sort of chaos and increased difficulty to plan ahead, which having many or unpredictable laws caused in our billiards example, applies to the actions of human beings. It is thanks to laws that human beings can predict how other people will act, and based on these predictions we can successfully plan our interactions with others in ways that are harmonious with everyone's interests. No matter how many balls there are in a pool table, a single understanding of the laws of physics is all that is needed to predict how all the balls will behave, and it is this ability to predict the behavior of the balls that allows the player to plan ahead. When it comes to the actions of human beings, the same predictability and therefore stability of law is crucial to make the most of our brains' ability to plan our actions.

Imagine the social chaos that would occur if people did not act according to what they had previously agreed upon. Our entire modern world is based on people/companies/'productive structures' acting in accordance to what they have previously agreed upon. Contracts are the glue that holds the human ant-farm together, they are what ensure that the 'human ants'/'billiard balls' act in a predictable and dependable manner and that is what the first law("do all you have agreed to do") refers to. The second law, "do not encroach on other persons or their property" is what forces everyone to achieve his/her goals by first producing something of use to the human ant-farm and then peacefully exchanging it for whatever he/she desires. It ensures peace and forces every brain that makes up the social supercomputer to think about the needs of everyone else and inevitably and inadvertently leads to the emergence of the market process and therefore the very progress of mankind. Human ant-farms have been more or less naturally selected for due to their ability to follow these two laws because they are what 'turn on' the market process and the growth of a complex, highly stable and powerful social order. Again, we have not evolved to understand this obviously. Since these two laws provide the 'physics' for the most powerful human ant-farms, we can expect to see them as being integral parts of those societies that prosper and we can

see that the world's major religions are very good at enforcing these two laws. Major religions expect their members not to lie and keep their word (law 1), and also not to steal or kill and mess with other people's property (law 2). If these two laws are laws of God and are protected by Him, or if they cannot be tampered with somehow, then the human ant-farms that adhere to them will not have their prosperity jeopardized.

The reason why Natural Law, which forms the basis for what is better known as Common Law, is better is because Natural Law is not up to politicians and the unfortunate ignorance of the masses to play around with and constantly alter. Natural Law is stable, it is predictable and one can easily and safely derive conclusions from it. Positive or political law is impossible to predict or to make assumptions about what is right or wrong because it does not follow any general principles. It is completely up to the discretion of the political machine with its likely corruption and well-meaning yet disastrous policies. **Instead of right and wrong being defined by some general and lasting principles, principles that prove their effectiveness by creating the very social order of the society that contains them, right and wrong becomes whatever the current ideology of the times call for.** When human beings think that they can just re-engineer society by changing the laws, they are changing the 'physics' of society which can lead to unexpected and unforeseen detrimental effects. As already discussed in the biology related chapter we know that human beings are sort of instinctively egalitarian, if some have more than others, the obvious solution will seem to take from the haves to give to the have-less via a big powerful ape (government). And given a chance they will usually vote for 'equality', in other words, they instinctively ask for Socialism/Communism as much of the 20th century has shown.

Some people make fun of the very religious nature of many Americans, especially many Europeans who can boast the fact that they are seemingly more scientific minded, and how a much higher percentage of people in European countries believe in evolution while so many Americans stick to their 'irrational' religious values. In a recent survey¹ of 34 developed nations, which measured how many people believe in evolution, the U.S. was second to last. Although I disagree religious beliefs and believe natural selection to be the "creator" of life, there can be no doubt that it is in some part thanks to religion, to America's inherited Christian traditions and its respect for private property (Exodus 20:15 Thou shalt not steal) and to the belief that there is a higher authority dictating the just relationships between men (their laws), that Americans did not fall prey, as hard, to the "geniuses" and "social scientists" in Europe that helped spread Socialism/Communism. Unknowingly, American's faith and religious traditions helped save them from an 'abuse of reason' by human beings. Many Americans despised Communism, not necessarily because of its economic policies, because as we have already hinted at, we are sort of instinctively egalitarian and therefore highly susceptible to Communism and Americans are unknowingly voting themselves closer to Socialism/Communism with every trip to the voting booth they take today, but because they saw how Communism was essentially atheist and violated their Christian morals and its strong family centered, as opposed to government centered, way of life. As Hayek mentions, "even an agnostic ought to concede that we owe our morals, and the tradition that has provided not only our civilization but our very lives, to the acceptance of such scientifically unacceptable factual claims." (Hayek F. A., 1989, p. 137)

In 1933 US President FDR decided to officially recognize the brutal Russian/Stalinist regime and told Russian representative Maxim Litvinov, "That's all I ask, Max — to have Russia recognize freedom of religion."² But the Soviets felt too smart to put up with religious nonsense and let the individual freedom that came along with religion get in the way of their attempt at having government bring a superior order to society. They trounced individual freedom, not only with faulty economic insights via their lack of sufficient reason, but with their destruction of religion and traditions which held far more intelligence than their human "reason".

It was the stability and immutability of Natural Law and its respect for private property in the societies where there was this 'Higher Law' that helped prevent human beings from inadvertently bringing Communism upon themselves, or at least slowing it down. These people were more likely to believe that God and 'thou shalt not steal' came before their egalitarian instincts and the wishes of politicians to take from some to give to others to reach an 'equality' that appealed to the masses' egalitarian instincts. An equality that would inevitably destroy their social order like it has and will continue to do to all countries that either consciously attempt(Cuba, former Soviet Union...) or inadvertently slide towards(every other country USA included) Socialism/Communism.

Why the change from Natural law to positive manmade law? Another important addition to our modern mindsets, which was virtually inexistent 500 years ago, was the concept of science and its ability to explain how the world works. For most of mankind's history we did not understand the forces of nature that shape our world and that is one of the main reasons why everyone believed in an all-powerful God that gave the world order. Many of the first famous scientists were priests who were trying to make sense of Gods laws, and the first universities in Europe grew out of churches and monasteries. Famous astronomer Johannes Kepler whose laws of planetary motion gave order to the heavens gives us a perfect example of what people's mindset with respect to science was at the time, "I was merely thinking God's thoughts after him. Since we astronomers are priests of the highest God in regard to the book of nature, it benefits us to be thoughtful, not of the glory of our minds, but rather, above all else, of the glory of God." And the great Isaac Newton tells us, "Gravity explains the motions of the planets, but it cannot explain who set the planets in motion. God governs all things and knows all that is or can be done." and "I have a fundamental belief in the Bible as the Word of God, written by those who were inspired. I study the Bible daily."

Newton's invention of calculus and his ability to use mathematics to discover his laws of motion and gravitation and more, gave humanity a consistent understanding of the mechanical workings of the world. The idea that the world could be explained with mathematics also began to tighten its grip on the minds of future scientists and social philosophers. To Newton and many others this might have seemed like further proof of the genius of God and that just like there are God's laws of nature there were also God's laws of justice, but at the same time it became easier to understand the laws of physics, and discard God and his ultimate sense of justice as well. God was still above everything and we tried to discover his physical laws as well as his moral laws and therefore justice, but the idea of giving society a human 'rational' order, which would have to violate or replace God's laws, would spread through our

minds with every scientific discovery, especially those that clearly refuted scripture. Science was doing away with God, and his laws and morals as a byproduct, and man began to create his own laws via legislation.

If one had to pick a single point in recent history to pinpoint this changing of the guard from a society built around God's laws to a society planned by human reason, a good candidate or example would be the French Revolution(1789–1799) and the so called 'Age of Reason'. The French Revolution was partly inspired by The American Revolution, and it too had a strong sense of Natural Law as can be seen in Article 2 of their "The Declaration of the Rights of Man and of the Citizen" which states: "The aim of all political association is the preservation of the natural and imprescriptible rights of man. These rights are liberty, property, security, and resistance to oppression." And article 17 "Property being an inviolable and sacred right, no one can be deprived of private usage, if it is not when the public necessity, legally noted, evidently requires it, and under the condition of a just and prior indemnity". It is important to see how the respect and protection of private property, which is the most important ingredient of a market oriented society, and the very progress of mankind, was "an inviolable and sacred right".

I mentioned how Natural/Common Law was superior to Political/Positive Law but Natural Law was not perfect either. If kings supposedly had 'The Devine Right of Kings' on their side they can obviously, and quite frequently, turn into despots and bring great hardship on their subjects. France at the time was structured into three classes, the king and Catholic Church(First Estate), the Nobles(Second Estate), and the peasants/workers/merchants/traders who were lumped into the 'Third Estate' and paid all the taxes to support the first two. Inspired by their natural rights and other circumstances, the Third Estate rebelled, chopped the king's head off, confiscated the Church's property and made the Church subordinate to the State. All of this was great in a way, supposedly we were bringing equality under the law to all men and curbing the power of oppressive governments/kings/religious entities, but at the same time something else was beginning to happen, something that would enslave men for a new purpose in a new way. Socialism, the idea that government could be used to plan and better orchestrate society. Now government and man-made laws were above the Church, above Natural Law.

As the French Revolution was getting rid of an "evil" ruling class, science was accelerating its breakthroughs and inspiring influential thinkers like Saint-Simon, the founder of French Socialism. Saint-Simon wanted to organize a great "Council of Newton" made up of "three mathematicians, three physicists, three chemists, three physiologists, three authors, three painters and three musicians" who would then use their supposedly superior genius to tell everyone else what to do. Saint-Simon explains:

"All men will work; they will regard themselves as laborers attached to one workshop whose efforts will be directed to guide human intelligence according to my divine foresight. The supreme Council of Newtown will direct their works"

Hayek comments that:

"Saint-Simon has no qualms about the means that will be employed to enforce the instructions of his central planning body: "Anybody who does not obey

the orders will be treated by the others as a quadruped”” (Hayek F. A., *The Counter Revolution of Science*, 1979, pp. 221-2)

Saint-Simon’s plan is obviously a recipe for complete government control, for Socialism, for the inadvertent destruction of the market process and the entire social order, but with good intentions of course. Voltaire, who according to Hayek was “the greatest representative of the so-called ‘Age of Reason’” (Hayek F. A., 1985, p. 5) captured the spirit of the movement by saying ‘if you want good laws, burn those you have and make yourself new ones’. Just a couple of generations later, Charles Darwin’s discovery of biological evolution would make it even easier for man to discard God and His Natural Law as an unfortunate byproduct. It was this overall increase in man’s ability to understand the world, the belief that science and technology would usher in a new way to socially engineer mankind for the better, and man’s subsequent departure from God’s justice, that were amongst the key factors in transforming natural law and its strong respect for private property into positive law/legislation with its anything goes attitude towards private property and human life itself. The nature of government would slowly begin to change from an entity that was supposed to protect the individual rights of its citizens and customs to an entity that could be used to engineer society for the better. But to engineer society one inevitably has to curb the freedom of the individual in order to implement the social engineer/government’s plans. As Adam Smith said with respect to the ‘social engineer’/leader/politician or what he refers to as “the man of system”:

“The man of system, on the contrary, is apt to be very wise in his own conceit; and is often so enamoured with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it. He goes on to establish it completely and in all its parts, without any regard either to the great interests, or to the strong prejudices which may oppose it. He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might chuse to impress upon it. If those two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously, and is very likely to be happy and successful. If they are opposite or different, the game will go on miserably, and the society must be at all times in the highest degree of disorder.” (Smith, p. VI.II.42)

Communist Russia’s revolutionary founder Vladimir Lenin was “the man of system”. As he tried hard to give a more “just” and “equal” order to the Russian human ant-farm via government planning as opposed to letting the market process and individual economic freedom do so, he acknowledged and said the following, which seems like the perfect and unfortunate compliment to Adam Smith’s recent quote/wisdom:

“The machine refused to obey the hand that guided it. It was like a car that was going not in the direction the driver desired, but in the direction someone else desired; as if it were being driven by some mysterious, lawless hand, God

knows whose, perhaps of a profiteer, or of a private capitalist, or of both. Be that as it may, the car is not going quite in the direction that the man at the wheel imagines, and often goes in an altogether different direction.” (Lenin)

It is important to realize that if man is free to trade and keep the fruits of his labor and do business with anyone he believes is in his best interest there can be no tyranny and oppression. It is that simple.

In Richard J. Maybury’s fantastic “Whatever Happened to Justice” with respect to today’s deterioration of law he says:

“Courts today do not seek justice, they enforce law. The courts have no concept of justice—no notion of right and wrong—except whatever the law says.

There was a day when two people who had a disagreement would say, ‘We’ll let a court decide.’ Today the suggestion of a lawsuit is a threat, an act of aggression. Everyone knows that the expense of a lawsuit will be outrageous and the outcome based not on known principles but on the whims of an arbitrary legal system.

The notion that an innocent person has nothing to worry about is laughable. We all know people who have been dragged into court and seriously mistreated, perhaps even bankrupted by the cost, even though they had done nothing to harm anyone.

In short, to threaten a lawsuit is, itself, an assault.

Today’s legal system is not a way to prevent harm, it is a way to cause it. It’s a weapon.”³

This change in law and mindset has been affected, or sort of co-evolved with other things like the large differences in wealth that our increasingly productive social orders have created, the increased complexity of our social orders, and the perceived shrinking and zero-sumness of the world due to our increased ability to travel and begin to think that the world seems finite.

During the last 200 years the rapid increases in technology and productivity have led to large perceived differences in wealth which have aggravated our sort of intuitive egalitarianism. Instead of the Church, which was supposed to be a sort of representative from God who always had the best interest of everyone and the poor in mind, we began to see large concentrations of wealth in capitalists/investors/businessmen who were out to seemingly “hoard” as much wealth as possible to themselves and “obviously” leave less for the rest. The idea that all this wealth was created by mankind’s increased ability to transform that which was previously useless, was, and still is, not understood by people, which further aggravated our egalitarianism and anti-capitalist mentality setting the stage for egalitarian/socialist/communist/distributive policies. With the rise of mechanical power like steam engines and trains, our jobs have become less physically demanding. This too is something new. We saw a rise in new industries like finance, investing, banking, insurance and a change in the proportion of people employed in manual labor compared to non-manual labor. For most of our evolution, wealth was directly related to our ability to physically transform nature, this involved hard physical labor and sweat. Many

of us sort of intuitively consider jobs where we sweat and really have to physically exert ourselves to somehow be more “real” than jobs where you are not necessarily involved in the production of a tangible physical good with manual labor. In our tribal past anyone who had wealth and did not sweat for it, there was a good chance he stole it, tricked someone to get it, or hoarded it when he should have shared it.⁴

As the world was advancing technologically so did the complexity associated with the production of most items. Until recently, the steps taken for the production of most items could be traced by a single mind. For example your potatoes were grown by a farmer who used a plow made out of copper dug up by some miners from a nearby mine. The potatoes were brought to the market in a carriage made of wood chopped from a nearby forest. Things were complex but still somewhat possible to trace. As societies grew in complexity thanks to the market process, the complexity of the interactions grew to an incomprehensible network of trades, which made it seem chaotic to most of us given our lack of an understanding of the market process. It became “obvious” that things like competition were wasteful, “why have different producers each doing things differently, wouldn’t it be better if they all shared their knowledge and gained the benefits of standardization?” As we should know by now competition is needed to discover the best ways of doing things, but unfortunately this is not the idea which seemed obvious to most. Our instinct to give order to, and plan our actions, naturally translated itself into believing that we could give society a better order than the seemingly ‘chaotic’ and ‘unfair’ mess that capitalism/freedom was creating. And quite naturally we felt like it was the task of government planners to achieve this more perfect and “just” order, similarly to how in our tribal past an elder leader might orchestrate a large hunt or migration.

The world’s major powers like France and England, and just about anyone who had the means, were trying to colonize the world. Thanks to steam powered vessels, trains, and faster and cheaper ways to reach and know about all corners of the world, the world was shrinking, which made it seem more zero-sum. When describing the mindset of Germans, Japanese, and Italians prior to the outbreak of WWII Richard Overy gives us a great example of the typical zero-sum mentality we have inherited from our tribal past:

“The fashionable view that empire was a source of political strength and economic nourishment, particularly for states that were overpopulated and weak in natural resources, led all three to the conclusion that in the crisis-ridden 1930s their only hope of salvation lay in acquiring empires of their own. The term everyone used was ‘living-space’; since the globe’s territorial resources were finite, such space could be acquired only at the expense of someone else, and violently.” (Overy, p. 8)

Our territorial instincts are also mal-adapted to our modern human ant-farms. As we will discuss shortly in more depth, Japan is one of the most densely populated human ant-farms in the world, with few natural resources, yet it is one of the most prosperous and productive because in the modern world it is not the resources that matter, it is the productive order of the human ant-farm which can transform matter into wealth that does. And when it comes to that Japan is probably the most amazingly complex matter-transformation-knowledge-creating-you-name-it-social-order the world has

ever seen. Latin America, large chunks of Asia, and Africa can be very rich in various natural resources yet they are poor because their human ant-farms have an inefficient productive/matter-transforming social order.

The idea of natural selection via evolution creating the biological order is beginning to be adopted or accepted by the majority of the modern world, because here, it is obvious that we did not design the complex processes that create/maintain the biological order. We can also almost see the process via our advanced knowledge of DNA/genetics. But the social order fools us into believing that we are responsible for it because it is our actions that are responsible for it. Yet we are not, it is the market process, natural selection's second child, which creates the social order, which requires individual freedom and is destroyed by government's confiscation/redistribution of wealth.

We are also used to simple delegation and organizational thinking for everything we do in the world that immediately surrounds us. For example, we coordinate our households. Within companies, we delegate and can seemingly organize great accomplishments. New technologies and building-sized machinery allows us to create enormous orderly things, so we are fooled into believing that delegation and 'organizational thinking' can accomplish anything. But our purely delegation-based organizing techniques are not what organize the tremendous complexity of the social order, it is the market process. As Hayek mentions:

"Today organizational thinking increasingly dominates the activities of many of the most powerful and influential figures of modern society, the organizers themselves. The modern improvements in the technique of organization, and the consequent increase of the range of particular tasks which can be performed by means of large-scale organization far beyond what was possible before, have created the belief that there are no limits to what organization can achieve. Most people are no longer aware of the extent to which the more comprehensive order of society on which depends the very success of the organizations within it is due to ordering forces of an altogether different kind." (Hayek F. A., 1976, p. 134)

Until the last couple hundred years, most people produced their goods or services and directly traded them in the market. For example, most people made a living by farming and selling their food, blacksmiths and carpenters directly traded their services or products with society. Trading/exchange, was a much more visible and clearly important activity compared to today where most of us do not directly trade some tangible and finished good or service with the population at large. This older "exchange society" was sustained by certain morals/customs which are now being inadvertently abandoned. Hayek explains:

"This exchange society and the guidance of the co-ordination of a far-ranging division of labour by variable market prices was made possible by the spreading of certain gradually evolved moral beliefs which, after they spread, most men in the Western world learned to accept. These rules were inevitably learned by all the members of a population consisting chiefly of independent farmers, artisans and merchants and their servants and apprentices who shared the daily experiences of their masters"... "At present, however, an ever increasing part of the population of the Western World grow up as members

of large organizations and thus strangers to those rules of the market which have made the great open society possible. To them the market economy is largely incomprehensible; they have never practised the rules on which it rests, and its results seem to them irrational and immoral. They often see in it merely an arbitrary structure maintained by some sinister power.” (Hayek F. A., 1981, pp. 164-5)

Who is that ‘sinister power’? Our misunderstanding of the modern world due to reasons already discussed has also brought new monsters that didn’t exist before like the “evil corporations”, “the white man”, “the rich”, “the minorities”, “cheap foreign labor”, “the drug companies”, “unemployment”, “the Jews” and all sorts of problems which are seemingly too large and powerful for free individuals to tackle on their own so we feel like we need to pool our resources together via government and taxes to help fight such monsters which would inevitably bring great inequalities, injustice, economic hardship, and ultimately social chaos.

Before finishing this section I need to mention something that in a way contradicts much of what this section has implied. Natural law, which I seem to have been touting as being superior to deliberately man-made law/legislation does not have to be better. The laws which human ant-farms follow are what give rise to their social order and stability. Whether the laws are derived from man’s theology or some higher power or deliberately man-made via legislation, natural selection does not care, it just selects the more stable and powerful social order; laws, customs, luck, and everything else that led to this social order included. If I became the world’s dictator one of the things I might do is to force everyone in the industrialized world to read Henry Hazlitt’s *Economics In One Lesson* 3 times. Instead of, or in addition to people reading and memorizing their religious scriptures moving their heads back and forth deep in concentration, I’d have everyone memorizing Hazlitt’s great book and its fundamental lesson. Actually, let’s move our heads back and forth and memorize Hazlitt’s heavenly sent wisdom right now:

“The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups.”

This would be an example where positive/man-made legislation is probably superior to natural law principles. From the author’s perspective there is no natural law with some higher principle from which human beings derive their inalienable rights, there is only natural selection selecting human ant-farms and their respective laws. It is a great thing, a real miracle of sorts that the laws that yield the most powerful and prosperous social order happen to be those that give man the greatest amount of freedom. I touted natural law as being superior because that is what seems to have been the case in the last few centuries and this is a very simplified book. Again, whether laws have a basis on some higher power which in a way shields them from man’s meddling in ways that lead to bad results as in the 20th century’s emergence of Socialism/Communism, or whether they are deliberately made by men via legislation, ultimately what matters is the social order that emerges from the

laws/customs themselves.

The bottom line is that as the erroneous need or desire to centrally manage the social order emerged, the law itself was under pressure to evolve to accommodate the big-government ideology and inevitably curb the freedom of the individual.

The birth of American Capitalism.

In the birth of the United States we find a country which grew out of a desire to end or contain the oppression of governments over people. The United States was a country made of people who were running away from government oppression whether it be religious or economic. One of the most important things to realize about early America was the simplicity of its productive structure compared to the modern world's. In early America people were used to families and smaller businesses being the ones that were responsible for the social order, in other words, in their minds, the private sector accomplished almost everything. Prior to the Industrial Revolution, and subsequent growth in the complexity of the American human ant-farm, life was considerably simpler. Most people were farmers and there was more self-sufficiency compared to today. The world wasn't so complex and therefore the need to give 40+% of their wealth to various public sector bureaucracies that controlled various sectors of the economy would have seemed ridiculous at the time. Unlike England, France, and Spain, the American colonies did not have to fund large militaries for constant war/defense. For centuries having to be taxed to fund the official government sanctioned church/aristocracy and military adventures was part of the European mindset, which was not to be the case in America because both of these great historical functions/excuses for government were missing. People came from a world where government related taxes/'confiscation of wealth' was one of the main sources for their lack of material prosperity and they could see this clearly. A world of little to no taxes, where many people could actually keep everything they earned was just an unbelievable dream come true at the time, and of course, America had a lot of land available for farming. No wonder the word spread so quickly and so many wanted to come over here. In such a world everyone knew that if you didn't make it, you were most likely of bad character and your lack of material prosperity was justified. There was also still too much racial and religious squabbling amongst most people for anyone to be ok with having his money go to help someone from a different religion or ethnic background. And either way, if people feel like the only way you fail in America is if you are lazy or of bad character, what possible justification could there be for taking from some to give to others, or creating some bureaucracy to administer such equality? The equality Americans wanted was equality for everyone to keep the fruits of their labor. This does not mean that there was no charity of course. People lived in communities where everyone knew each other; it was possible to truly monitor the character of people, for people to build reputations.

If the social order is still relatively simple, one can easily calculate whether what you get from the government is more or less equal to what you give it in terms of taxes, and for colonial America this was a calculation which led to revolt and our independence from the British government⁵. America was a nation founded by tax rebels, by insurgents! It is estimated that about

one fifth of the adult white male population had either read, or had been read aloud to them, Thomas Paine's *Common Sense* whose very second paragraph contained the words "...government even in its best is but a necessary evil; in its worst state an intolerable one..." Paine's writings were so important and reflective of colonial America's ideology that fellow influential American founder and second US president John Adams said "Without the pen of Paine, the sword of Washington would have been wielded in vain". George Washington would distribute Paine's writings to his troops (Adams, 1998, p. 24). Paine's *Common Sense* and the ideology of Americans at the time was at the forefront of everything we have discussed about Natural Law, its evolution, and its ability to protect economic freedom.

Americans were a deeply religious people at the time. Paine's *Common Sense* used biblical arguments to show the illegitimacy of monarchs to rule and expropriate wealth from people. To him, and the deeply pious Americans of the day, government was needed because human beings were not 100% virtuous. In *Common Sense* Paine writes:

"Here then is the origin and rise of government; namely, a mode rendered necessary by the inability of moral virtue to govern the world; here too is the design and end of government, viz. freedom and security."

In the next sentence he warns us not to let our senses and prejudices deceive us into wanting government to provide anything but the aforementioned freedom and security:

"And however our eyes may be dazzled with show, or our ears deceived by sound; however prejudice may warp our wills, or interest darken our understanding, the simple voice of nature and of reason will say, it is right"

And immediately after the above statement we stumble upon one of those many gems of wisdom and foresight that clearly show us how history repeats itself and what a genius Paine was. With respect to government in general he says:

"I draw my idea of the form of government from a principle in nature ... that the more simple a thing is the less liable it is to be disordered, and the easier repaired when disordered; and with this maxim in view, I offer a few remarks on the so much boasted constitution of England... Absolute governments(tho' the disgrace of human nature) have this advantage with them, that they are simple; if the people suffer, they know the head from which suffering springs, know likewise the remedy, and are not bewildered by a variety of causes and cures. But the constitution of England is so exceedingly complex, that the nation may suffer for years together without being able to discover in which part the fault lies, some will say in one and some in another, and every political physician will advise a different medicine."

Wow! If every American had a complete understanding of the previous quote, all of our problems would be solved. "they know the head from which suffering springs, know likewise the remedy", they sure knew how to deal with government created evils back in the day. By 1776, England and its government had been in existence for many centuries, growing more bureaucratic and cancerous on its population like all governments inevitably

do. Obviously the same applies to our current American government and its millions of laws and government employees, but more on this shortly.

For Thomas Jefferson “a little rebellion, now and then, is a good thing” as “a medicine for the sound health of government.” Needless to say, the American founders and their morals and ideology would have them incarcerated in today’s America.

The piety and religious nature of Americans cannot be stressed enough. As Alexis De Tocqueville mentions in his 1835 “Democracy in America”:

“There is no country in the world where the Christian religion retains a greater influence over the souls of men than in America; and there can be no greater proof of its utility; and of its conformity to human nature, than that its influence is most powerfully felt over the most enlightened and free nation on the earth.”

Our founders and Americans at the time were doing more than just fighting for what they considered to be just and in their material best interest. They were inadvertently fighting to protect the laws which ‘turned on’ the market process and would continue to reorder the American human ant-farm into the most advanced and productive one the world had ever seen. Our founders were not economists trained in an understanding of how the market process works to the level we are discussing here¹, for the most part they just got lucky. It just happened to be the case that the more one protects individual freedom the better the market process works to bring about material

¹ Some of them like Thomas Jefferson knew a great deal, and more than enough to fight the centralization of power or slide towards Socialism that plagues mankind. Jefferson himself had actually edited an English translation of free-market French philosopher Count Destutt Tracy’s works in the hopes that its wide readership would protect America from economic ignorance. In a letter to the publisher that Jefferson wrote to accompany his edited version of Tracy’s writings Jefferson states:

“I now return to you, according to promise, the translation of M. Destutt Tracy’s *Treatise on Political Economy*, which I have carefully revised and corrected... The merit of this work, will, I hope, place it in the hands of every reader in our country. By diffusing sound principles of Political Economy, it will protect the public industry from the parasite institutions now consuming it, and lead us to that just and regular distribution of the public burthens from which we have sometimes strayed.”

In a great article about Tracy by Timothy D. Terrell at [mises.org](http://mises.org/story/3222) (<http://mises.org/story/3222>) titled “The Economics of Destutt de Tracy” while discussing Tracy’s influence in America he mentions:

“Jefferson’s friend John Adams was also enamored with the *Treatise*. Adams, who wrote that “Our whole banking system I ever abhorred, I continue to abhor, and shall die abhorring...” believed that Tracy’s chapter on money contained “the sentiments that I have entertained all my lifetime.” He believed the book to be “a magazine of gun powder placed under the foundation of all mercantile institutions.”

In a letter to Lafayette, a mutual friend of Jefferson’s and Tracy’s, Jefferson asks Lafayette to bear the message to Tracy that

“his Political economy has got into rapid and general circulation here, that it is already quoted in Congress and out of Congress as our standard code; and that the naming him in that as the author of the commentary on Montesquieu has excited a new demand for that work... These two works will render more service to our country than all the writings of all the saints and holy fathers of the church have rendered.” ”

prosperity for everyone, but unfortunately our socialist/communist human nature would slowly catch up with us and undue the American miracle.

Having somewhat praised the United States I do not want to make it seem as though the US and its early founders and citizens were some “chosen” people who were destined to create such a wonderful social order. They too were full of self-interested politics, corruption, and the usual. Take the great Thomas Jefferson for example; as a reaction to British aggressive behavior towards the US he signed into law the Embargo Act of 1807 which made it illegal for US ships to land in foreign ports thus greatly diminishing international trade. Economist Evan Eland writes:

“In a year, U.S. exports plummeted 80 percent, and imports dropped 60 percent. Massive U.S. unemployment ensued, and the banning of U.S. coastal trade led to starvation in the U.S. agricultural paradise... Going from bad to worse, in an attempt to stop the rampant efforts to smuggle goods in violation of the embargo, Jefferson adopted increasingly oppressive enforcement measures that violated citizens’ civil liberties. For example, Jefferson extended the embargo to prohibit hauling of goods by “carts, wagons, and sleds,” modes of transportation that could be used to take goods across borders and onto vessels, but this ban had much wider effects... According to Senator Samuel White of Delaware, the Embargo Act placed “the whole country under military law” and allowed search, seizure, and arrest without warrants and with the slightest suspicion that the party had the goal of exporting goods.” (Eland, pp. 34-35)

Before continuing with this chapter we should also stress that just like the social order is not the result of conscious human design neither is government and much of the harm that it does. The US ‘public sector’/government is a gigantic social entity with more employees than many countries and it does not answer to a single human being or group of them. It is not controlled by a few masterminds(or Jews ☺) like so many people tend to think. Government is neither “good” nor “evil”: such concepts do not really exist; they have been inherited from our more religious/spiritual past, but have little to do with how the real world works, or how natural selection goes about creating order. And the same applies to the people who run the public sector and whose livelihoods depend on it. Although I am sure there are many people who work for the government who blatantly use it to steal money from the taxpayers or maneuver it for their gain while being fully aware that such actions are wrong and detrimental to society, most politicians and public sector employees have good intentions and they believe that their actions make the world a better place. Should they really come to understand the truth, that their actions create a lot of harm, most would work to change the system and greatly reduce the size and impact of government on society, even if it meant that they had to quit their government jobs and find private sector ones. This is something that government employees, politicians, and all of us will only understand once we understand economics and clearly see how much better the world will be once we get as many people as possible employed in the private sector as opposed to the public one.

It is a central theme of this book to clearly state that no one is to blame for the world’s problems, not even the economically ignorant

politicians, nor the people that elect them, or “the big corporations”, “the rich”, our inherent greed, “evil” people, etc.. In many ways government in general is a reflection of our best intentions and qualities. The vast majority of us don’t rebel by not paying our taxes, and as burdened as we already are, many of us are always willing to pay that extra tax if it will really solve problems and we feel like the politicians in charge can be trusted. Most of us see government as the entity which enforces the egalitarianism which we have evolved to feel comfortable with. Most of us don’t have a problem being taxed to raise other people’s kids or take care of their parents or the less fortunate. Many rich people are big fans of high taxes that take from the rich to give to the “less fortunate”. So again, government is a complex entity, it is part of our modern worlds because natural selection has selected it and therefore it has played a crucial part in the evolution and survival of our modern social orders. Hopefully as an understanding of economics/‘the market process’ spreads, the institution of government as we know it today will cease to exist or play a much smaller role, sort of like a vestigial organ like our appendices, a structure which served a purpose in a long forgotten evolutionary past, but is useless, or close to useless in the present.

What is seen and what is not seen. The wisdom of Frederic Bastiat

The great 19th century French economist Frederic Bastiat wrote a classic economics essay titled “What Is Seen and What Is Not Seen” which begins as follows:

“In the economic sphere an act, a habit, an institution, a law produces not only one effect, but a series of effects. Of these effects, the first alone is immediate; it appears simultaneously with its cause; *it is seen*. The other effects emerge only subsequently; *they are not seen*; we are fortunate if we *foresee* them.

There is only one difference between a bad economist and a good one: the bad economist confines himself to the *visible* effect; the good economist takes into account both the effect that can be seen and those effects that must be *foreseen*.

Yet this difference is tremendous; for it almost always happens that when the immediate consequence is favorable, the later consequences are disastrous, and vice versa. Whence it follows that the bad economist pursues a small present good that will be followed by a great evil to come, while the good economist pursues a great good to come, at the risk of a small present evil.” (Bastiat, 1995)

If something about Bastiat’s introduction to his essay seems familiar, it is because it was the inspiration for Henry Hazlitt’s fundamental lesson.

At the core of everything we will be discussing in this chapter lies our inability to realize that most visible goals that the government attempts to accomplish, will destroy a great quantity of unseen goals, and that the ‘social value’ of the destroyed unseen goals is far greater than the gained value of the government achieved goals. As the social order morphs itself to attain one

goal, it inevitably has to give up working on other goals. For example, as the government provides free education, health care for the elderly, welfare for those that have less than others etc., it has to tax and take away wealth from the private sector. Should this wealth have been left in the private sector, it would have been traded for the production of other things, unseen things that were never able to come into existence because such wealth was taken by the government in order to provide the aforementioned services.

The main task of this chapter is to help the reader see how no matter how wonderful/tempting/beneficial the government mandated and visible goal/project/'restructuring of the human ant-farm' might be, the alternative path of just leaving the human ant-farm alone is a much better one, and that the reason why we have a hard time understanding this is because, once again, we have not evolved to intuitively understand how the modern market-process-coordinated world works to shape our social order.

Bastiat's essay contains a very simple example showing how easy it is for us to ignore all that is lost as we only focus on that which is immediately visible. His example goes something like this: A kid throws a brick and breaks a shopkeeper's window. At the sight of such a calamity, bystanders feel a need for philosophic reflection and some see good in what has just happened, they figure that now \$200 will go to provide employment for the glazier that will replace the window and then the glazier's newly acquired \$200 will be spent to provide employment for a barber, and on and on the money will seemingly provide employment for many things as it ripples through the human ant-farm. People figure that if the window never broke, this visible chain of employment and productive activity would disappear making the world poorer. How is the glazier to make a living if windows never break? So far from being a menace, thanks to seemingly ingenious economic insights, the kid helped improve society. What the economically untrained mind does not quickly realize and remains unseen is that the original \$200 still would have been spent on something, like a suit perhaps. In this case a tailor would have received the \$200 in exchange for the suit as opposed to the window maker, and then the tailor would have bought a bicycle providing employment for the bicycle-maker who would then provide employment for someone else and on and on the money would seemingly provide employment just like it did before, but the important thing to see here is that either way the \$200 would still have been employed helping to induce productive activity.

We have traced through both scenarios, the one where the window is broken and the one where it was not and have seen how the \$200 still rippled through the economy motivating an equal amount of production and wealth. So what is the difference between the two scenarios? The difference becomes easy to see if we once again look at things from high above and keeping our eyes on the size of the economic pie. After the sequence of events in the first scenario we have a new window, an angry shopkeeper who had to spend his \$200 to replace the window, and a happy bunch of people(glazier, barber...) who got additional business due to the shopkeeper's \$200 expenditure that originally went to replace the broken window. In the second scenario, we have a working window that was never broken, plus a new suit, the shopkeeper is happy because he traded his \$200 for a new suit as opposed to replacing a broken window, and we also still have a bunch of happy people(tailor, bicycle-maker...). The second scenario depicts a better human ant-farm because it

has a working window *and* a new suit instead of just a new window, and let's not forget, a happier human being as well.

Having gone over this simple example our minds should be better trained to understand one of the most popular and gigantic economic fallacies, that the economic destruction caused by things like hurricanes and other natural disasters and wars are actually good for the economy. People immediately realize that many people will have to be employed to rebuild houses or entire cities and how this will provide employment and create wealth as people work on resurrecting homes/buildings. This is what is visible, but what they don't see is that the same amount of money which would have gone to provide jobs rebuilding the human ant-farm, just getting it to where it used to be, would have been spent in countless unseen ways which would have led to the production of new wealth, wealth which would have been added to the total wealth in the city/town as opposed to have gone towards replacing lost wealth. Instead of employing builders, people's money would go to who-knows-what unseen things like perhaps new cars, new medical services, new homes and buildings in addition to the existing ones, leaving the human ant-farm considerably better off and more advanced than if it had to spend its energies rebuilding just to get to a past state as opposed to moving into the future. This economic fallacy shows up every year during hurricane season where I live in Miami. Iraqis must be so happy as they look forward to rebuilding their entire country. Wars or undesired destruction of private property are NEVER good for an economy.

In a simple tribal world, it is easy to notice all the things that are foregone as the small human ant-farm restructures itself for the attainment of a specific goal, and to go about correcting any needed problems or to simply accept the fact that the tribe is better off giving up on other things in order to achieve this important goal. Again, this is the case in small human ant-farms of 20-150 people, the kind we have spent thousands of years in, and we have been naturally selected to more or less intuitively understand. In this type of environment most people can clearly measure what is gained and what is lost at the human ant-farm level as projects that involve many people are carried out. In the tribal world, as well as today, we have no problems understanding how choices and decisions affect a single individual. If you go on a vacation to Atlanta, you cannot work in Miami, so being able to think ahead and calculate what outcomes are best for the actions of a single individual are easy now, and were just as easy in our tribal days. The problem comes when we try to calculate what is gained or lost when we deal with actions that involve the interactions of many people. Our brains are powerful enough to deal with society when it is small and simple, with few billiard balls(people), adhering to our egalitarian/communist ethics/laws, but when we try to understand what is gained or lost as many(thousands/millions) people do one thing over the other in today's society, we inevitably make mistakes and greatly overestimate our ability to predict whether our envisioned rearrangements of the human ant-farm will leave us better off or not. Today's social order is vastly more complex and it exists due to the workings of the market process which is something we have not evolved to understand because it did not exist in our tribal/ape-like evolutionary past.

Every time the government tries to provide something, whether it is education, health care, assistance to the poor, etc., it inevitably has to consume

wealth via taxes from the private sector to provide for these things. The things that the government tries to accomplish are highly desirable and visible social goals. Goals that inevitably come at the expense of countless other goals which would have been pursued by people should they have been free to keep the money that the government took via taxes to fund all of these wonderful social programs.

Whenever the government interferes with the market process, by for example taxing the haves to provide free “education” for the have-less, the government will rearrange/morph the human ant-farm in a way that will lead to a different social order than would have otherwise existed should it have left it alone under the ordering forces of the market process. The government managed education would be a visible goal to the concerned citizens and their elected representatives. As the government removes funds from the private sector to pay for this education it is altering the structure of the human ant-farm in order to attain the visible goal of having free education for everyone. The human ant-farm will develop two different social orders with its human ants going about doing things differently. In one social order it is left free of government intervention and there will be no free education paid for by the haves under the threat of incarceration/death, and in the other social order the government removes wealth from the haves against their will and uses it to morph the human ant-farm in a way that provides free education for everyone. If the government interferes we will see the many freshly painted new school buildings coming into existence, jobs provided for the builders who work on them and how these builders will be able to provide for their families, children sitting in classrooms learning how to read and write. We know something has to be given up in order to do this, but that is something that we will never be able to envision because the billions of tax dollars/wealth needed to fund the free education will be spread in smaller chunks across the entire human ant-farm, small chunks that on their own can’t seemingly create something as big and wonderful as the previously mentioned benefits.

In our tribal past it would be easy to see what the human ant-farm would be gaining and giving up as it restructured to attain this free education goal, but in our modern world, it is impossible for a single mind to foresee all the things that are given up as the billions of dollars go towards our free education goal, much less know whether we will be better off or not. Imagine being in a simpler tribal world and a small group of 5 men propose that if everyone in the tribe feeds them for 3 months they will build a fire pit where everyone could sit around and stay warm. We’ll assume that this fire pit was something very important for survival, but you, as well as every other adult in the tribe, can envision the same task being carried out by just a couple of people in two days instead of three months, so everyone refuses to go along with the men’s plans. In our modern world the group of five men could be seen as government and the building of the fire could be seen as any of the important visible goals/services which government tries to provide like education, health care, ensuring safety, etc.. One of the problems we are faced with is that in the modern market process coordinated world we live in, all of the visible goals we want accomplished are not solved by the easily coordinated actions of an identifiable small group of people: they are solved by impersonal complex social structures/‘mini human ant-farms’ that can only be efficiently ordered by the market process, and that since only the market process can create this social order, no human being can know what the real

costs in nourishing/funding this social order is.

What we want to overcome is our seemingly instinctive desire to have a visible entity (government) force the human ant-farm to pursue a visible goal. And as an inevitable consequence of this, allow for an invisible entity (the market-process/freedom), made up of selfish individuals, to freely accomplish invisible goals, and to fully appreciate how much better off we are when we let this happen. In much simpler terms, the goal is to help us see how much better off we are when people get to keep their money and go about solving their problems by themselves as opposed to having the government solve them. When people get to keep their money and solve problems by themselves they are not as lonely or as helpless as the expression “by themselves” might imply, what they have is that super-tool, the market-process coordinated social order which they interact with to solve their problems.

The Public Sector vs. The Market Process. The wisdom of Herbert Spencer

Everything we have discussed about the market process and its various mechanisms and institutions like banking and lending, profitability, interest rate coordination and competition, all serve to create a private sector that is as efficient at transforming matter to wealth as humanly possible. Thanks to these things the market-process-ordered private sector is in a cycle of production and consumption that leaves the economic pie with a continuously increasing amount of wealth, as well as technology, which makes it even easier to continue to increase the economic pie in the future. This is what progress is all about. Compared to 100 years ago, we have more and better quality wealth and have to work less for it.

The main problem with government or public sector “social orders” is that only the market process can give an efficient order to thousands or millions of people. Since the public sector is a monopoly, it means that *by law*, government bureaucracies are immune to the market process’ social-order-shaping-knowledge-sharing mechanisms like competition and interest rate coordination, and therefore all government created social orders or bureaucracies are inefficiently ordered and produce little wealth compared to how much they consume from the economic pie. The public sector takes about 45% of all newly created wealth every year and simply consumes most of it giving back very little in terms of useful services. Most people only wake up to the inefficiencies of the federal government when all eyes are on it like FEMA’s handling of hurricane Katrina, but FEMA is no different than every other government bureaucracy. They are all given shape by the same purely bureaucratic and monopolistic mechanism.

Some readers might have heard of the famous “Bridge to Nowhere”⁶, a government funded project that would build a bridge in Alaska between the town of Ketchikan, with a population of 8,000 residents, and Ketchikan Airport located on Gravina Island (pop. 50), a bridge nearly as long as the Golden Gate Bridge and taller than the Brooklyn Bridge which would cost 315 million dollars. The bridge would be replacing a 7 minute ferry ride which currently gets the job done. This project, the brainchild of Senator Ted Stevens, is a perfect example of the kinds of destructive realignments of the

human ant-farm that the Washington D.C. brain is constantly doing. 315 million dollars worth of food, homes, cars, energy would be consumed from the economic pie by everyone involved in its construction, and such wealth in a way would be traded for a bridge that helped a few thousand people make it to the airport with a little more convenience than they did before. This is a bad decision, the American tax payer suffered at the hands of the politically connected like the companies that would build the bridge, etc.

In the private sector there is something I'll refer to as the *average moral values*, which ensures a certain level of cooperation and effort by most of its participants. We know that in the private sector employees cannot be too lazy, because if they are, their lack of productivity will ultimately affect the company's revenues, and should there be too many lazy employees, then the company's revenues will eventually not be enough to cover the costs needed to maintain the company's internal structure (wages, rents...) and it will go bankrupt due to competition from other companies whose employees did not give sub-par performances. The same reasoning applies to countless other things. Employees cannot be too rude, have too bad of a personal hygiene, cannot make fun of or be disrespectful to their coworkers, they have to have a certain level of tolerance of others, they have to be punctual, reliable, trustworthy, work with a certain amount of focus and hustle, be willing to learn to do things differently as new and better ways of doing things are discovered, and many more. The bottom line is that competition not only spreads productive knowledge across society, it also helps shape the behavior/morals/values of people to be more in synch with that which leads to the most productivity, which inevitably forces people to treat and welcome each other as equals. As Hayek writes:

“Competition is, after all, always a process in which a small number makes it necessary for larger numbers to do what they do not like, be it to work harder, to change habits, or to devote a degree of attention, continuous application, or regularity to their work which without competition would not be needed.”
(Hayek F. A., 1981, p. 77)

For the remainder of this section we will discuss various quotes from Herbert Spencer's essay entitled “Over-legislation” where he compares the differences between the public and private sectors in England during the mid-1850's. Spencer's essay not only shows off this man's intellect, but the fact that it was written over 150 years ago gives us a perfect example of how history repeats itself and how little we learn from it, as well as how maladapted to the world's increasing complexity we are.

“Officialism is habitually slow. When non-governmental agencies are dilatory, the public has its remedy: it ceases to employ them, and soon finds quicker ones. Under this discipline all private bodies are taught promptness. But for delays in State-departments there is no such easy cure.”

“How invariably officialism becomes corrupt every one knows. Exposed to no such antiseptic as free competition—not dependent for existence, as private unendowed organizations are, upon the maintenance of a vigorous vitality; all law-made agencies fall into an inert, over-fed state, from which to disease is a short step. Salaries flow in irrespective of the activity with which duty is performed; continue after duty wholly ceases; becomes rich prizes for

the idle well born; and prompt to perjury, to bribery, to simony.”

Great examples of governmental consumptive cancers can be found in our public school bureaucracies. The average yearly per pupil costs are now over \$9,000 and in some states like New York they are over \$14,000⁷. That is from \$180,000 to \$280,000 to “educate” 20 students for one year. In New York City, teachers who would otherwise be fired due to offenses ranging from insubordination to sexual misconduct are instead sent to the “rubber room”, a special room where they spend all day doing nothing, playing card games, browsing the web, etc, while still collecting their full salaries of \$70,000 or more. As of April 16th 2010 there were about 650 “educators” in these “rubber rooms” costing taxpayers 35 million per year⁸. There are 12 states that for every classroom teacher there are two additional employees doing who knows what⁹. New Jersey teaching veterans receive \$80,000 to \$100,000 for ten months’ work¹⁰. Regardless of how good a teacher is, or how useful the information she teaches might be, teachers get paid based on how long they have been sitting on the job and how many useless degrees they add to their resumes. Yes, I said “useless degrees” because that is exactly what they are. While in college and later as a teacher I asked many who were teachers, or taking the necessary coursework to become one, about the usefulness of the content of such classes. *All* of them agreed with me that the classes were useless. They were mostly what I like to call psychobabble. Oh, wait; there was one benefit to the classes. A classmate once told me, “George, why are you whining so much? Look at it this way, those classes are very easy and they help your GPA.”

The Brookings Institution’s John Chubb discovered that the central administration office for New York City’s public schools employed 6,000 bureaucrats while the Catholic Archdiocese of New York, which oversees the education of about one fifth as many students as NYC’s public schools only had 26.¹¹ If the Archdiocese were nearly as inefficient and bureaucratic we would expect one fifth of 6,000 = 1,200 bureaucrats working for the Archdiocese, but again, only 26, because the Archdiocese is shaped by more freedom and competition, by the market process. Imagine all the consumption that those 6,000 people make and how little is given back to society in terms of helping shape happy, confident, and productive adults. If these people were employed in the private sector, they would still consume a great amount of wealth from the economic pie, but they would be part of a profitable cycle of production and consumption which would increase the economic pie, and once again, contribute to technological progress¹.

Public education also leads to what I’ll refer to as cookie-cutter personalities where children inevitably segregate themselves into the jocks, the nerds, the ‘rockers’/skaters, the ‘ballers’, etc. My guess is that a freer educational system would provide much more cultural variety because the uniqueness of each family and environment would have a greater role in

¹ Education is all about absorbing productive knowledge, something that can be done by watching online videos(that are way better than what your average teacher can provide) at places like khanacademy.org, at your own pace, for free. There is no need for gigantic buildings these days. But how long until the massive public sector bureaucracies adapt, or better said, fight to the very end and lose, the online learning revolution?

shaping the youth instead of the media.

In 1986, the city of Ecorse, Michigan paid \$45,000 per year for an animal control officer. Adjusting for inflation this was the equivalent of paying over \$87,000 in 2009 for someone to deal with dead and stray animals¹². In Hamtramck, Michigan in the year 2000, city workers via their union had negotiated contracts that gave them 40 paid vacation days, 15 paid sick days, 13 paid holydays, 3 paid emergency leave days, 3 paid personal days, and a paid day off for their birthdays for a total of 75 paid off days or about 1/3rd of the working year. For New York City's 281,000 employees, average compensation has risen 63% since 2000 to \$107,000 a year. More recently, the city of Bell, California (pop. 37,000) made national headlines in 2010 due to the truly outrageous salaries of municipal government bureaucrats. Robert Rizzo, Bell's Chief Administrative Officer had a salary of \$787,637 (U.S. President's is \$400,000), Assistant City Manager Angela Spaccia's salary was \$376,288, both bureaucrats' salaries were to increase by an annual 12%. Police Chief Randy Adams was making \$457,000 which is 50% more than what the Los Angeles Chief of police Charlie Beck (\$307,000) makes who manages 12,899 employees compared to Adams whose department only has 46 officers. If there was competition in the provision of municipal services, then a better, cheaper, less consumptive social order would have arisen, but since tax-payers are forced to fund the various public sector monopolies, they have no freedom to choose among competing alternatives so "Exposed to no such antiseptic as free competition...all law-made agencies fall into an inert, over-fed state, from which to disease is a short step." Well, saying that taxpayers are forced is too strong a statement. The system exists the way it does not because politicians or public sector employees force the much larger group of taxpayers to go along, but because taxpayers do not understand how much better off we would be if we privatized all of these things¹.

Given our somewhat inevitably selfish nature, it is easy for us to take actions which benefit us at the expense of others. This is true whether a person works in the private sector or in the government sector, but in the private sector these bad morals/vices lead to their own downfall: they are selected against due to competition. Corruption, bribery, being overpaid due to good connections as opposed to true productivity, these are all ways of acting, they are ingredients that reflect the knowledge of how to get things done that is embodied in companies, and since these ways of acting are simply inferior knowledge, they get naturally selected against as if they were bad designs for a product. Eventually these unproductive things reflect themselves in the bottom line of the companies that have them: their costs will be higher and competition will force those companies to dissolve themselves or shape up by eliminating such unproductive traits. Spencer again:

"Consider first how immediately every private enterprise is dependent upon the need for it; and how impossible it is for it to continue if there be no need. Daily are new trades and new companies established. If they subserve some existing public want, they take root and grow. If they do not, they die of inanition. It needs no act of Parliament, to put them down. As with all natural organizations, if there is no function to them, no nutrient comes to them, and

¹ Privatizing things like law enforcement will be discussed later

they dwindle away. Moreover, not only do the new agencies disappear if they are superfluous, but the old ones cease to be when they have done their work. Unlike law-made instrumentalities...these private instrumentalities dissolve when they become needless.”

One of the great things about human beings is that we are all alike. What is good for me is probably good for you as well. This means that as the billions of brains that make up humanity are thinking of ways to improve their lives, the ideas/improvements they come up with are often times likely to improve the lives of the rest of us. Thanks to the banking/lending/finance industry such ideas can quickly gather the necessary funds to create companies and morph the human ant-farm into ever more productive and advanced states.

Companies can only come to existence if they are of use to society, in other words, if other human beings find it in their best interest to trade their order sustaining wealth for this new product/service. The new company has to “subserve some existing public want”, and not necessarily an existing public want, new inventions which did not exist before are not existing public wants, but become so once they come into existence and people realize that their lives can be improved by them. These new companies “take root and grow” in a way that is more or less proportional to how useful they are to the social organism/public. Microsoft, Wal-Mart, Toyota, these and every other company exists and grows thanks to the wealth it offers mankind in return. As the productive knowledge of the human ant-farm changes, some companies inevitably cease to provide a useful product/service because something better comes along. As this happens the companies whose products are becoming less useful receive less revenue with which to maintain their orderly structure and eventually “dissolve when they become needless” and their parts(employees, buildings...) merge with other productive structures which are of use to society because they have the necessary knowledge needed to incorporate such parts into economic-pie-increasing transformations, or in other words, profitable plans. It is important to realize that this reordering of the human ant-farm happens without a single visible entity telling people what to do, “It needs no act of Parliament”. It happens automatically as knowledge spreads throughout society’s brains and they update their actions/plans and what companies/‘social orders’ get the needed life sustaining money/wealth. As this is happening and we think about the person who might lose his/her job in the process, we should always keep in mind that as a whole, the entire human ant-farm is becoming a more efficient matter-to-human-useable wealth machine, and that the more wealth is created the more of it has to be offered in exchange for labor which is why even if people lose a job from time to time, overall, their living standards, or size and quality of their economic pie, constantly increases. To prevent or slowdown this mechanism/‘the market process’ is to prevent or slow down the very progress of mankind. Spencer:

“Again, officialism is stupid. Under the natural course of things each citizen tends towards his fittest function. Those who are competent to the kind of work they undertake, succeed, and, in the average of cases, are advanced in proportion to their efficiency; while the incompetent, society soon finds out, ceases to employ, forces to try something easier, and eventually turns to use. But it is quite otherwise in State-organizations. Here, as everyone knows, birth, age, back-stairs intrigue, and sycophancy, determine the selections, rather than

merit. The “fool of the family” readily finds a place in the Church, if “the family” have good connections. A youth, too ill-educated for any active profession, does very well for an officer in the Army. Gray hair or a title, is a far better guarantee of naval promotion than genius is. Nay, indeed, the man of capacity often finds that, in government offices, superiority is a hindrance—that his chiefs hate to be pestered with his proposed improvements, and are offended by his implied criticism. Not only, therefore, is legislative machinery complex, but it is made of inferior materials.”

In the private sector people earn money in proportion to how much wealth they help produce. Hard-working and experienced people tend to be more productive so their labor tends to create more wealth and therefore it can trade for more money. If one is not as smart because perhaps one’s brain just doesn’t work as well as someone else’s then it is still in that person’s and society’s best interest that the free-market/‘market process’ finds whatever place people can productively fit themselves in. As economist George Reisman tells us:

“If two people both want to be an automotive engineer, and the better qualified succeeds, while the less qualified ends up as an auto mechanic, the better qualified one can raise the productivity of the poorer-qualified one by designing a better car for him to work on. If their positions were reversed, this would not be possible.” (Reisman, p. 357)

When we integrate ourselves into the social organism via the market process, we become part of a matter-to-wealth transformation machine and it is in the best interest of everyone, especially for the less able, for the most able to be placed higher up telling the less able how to do things. Thanks to the tremendously productive order the market process has given our American human ant-farm over the centuries, even the laziest and dumbest of Americans can enjoy a material comfort which would have been impossible to achieve even for the wealthiest of kings just a few centuries ago, not to mention some better educated and harder working people in third world countries.

In the private sector every market participant is involved in an ongoing process of trading. A person’s ability to consume wealth from society depends on how much this person adds to society via his labor. This labor has to somehow increase the economic pie of wealth. You cannot just work and sweat all day at digging holes in your backyard and expect a high wage, or any wage at all. The labor a person adds to the world is then freely traded for money and it is not until this point that we know how valuable that labor was in monetary terms. If a man digs a hole in his backyard his labor might be useless because no one values it, no one is willing to trade anything for it because the labor did not help anyone increase their state of well-being. If the same man digs a similar hole in someone else’s backyard who values the hole because she will plant a tree in it, then the value of this man’s labor can be measured by the amount of money the woman gave him. The more valuable the labor that a person performs is, the more money will be traded for it by those who can judge such value and the more wealth this person will be able to later consume. This is the way things work in the private sector, but when it comes to government work, a person’s ability to produce has little to do

with how much wealth this person adds to the economic pie, or earns in wages. Most government jobs have pay-scales which are based on how long you have been on the job, so you basically sit on your butt and your salary goes up every year. Public sector employees get the best pensions, insurance coverage, national holidays off, the peace of mind that comes from knowing that you will never lose your job.

I remember one time I was at some court building trying to get some problem with my license taken care of. As usual there was a long line with many irritated people. Someone had made some remark to the county employee and the county employee proudly replied with something along the lines of “Buddy, I work for the county, I’d have to kill someone to lose this job”. On another occasion I swung by the Miami Beach District Court, the floor where they accept payments. I was greeted by a security guard who was sitting comfortably doing his crossword puzzle and asked me what I was there for. The place seemed deserted, there were no long lines because there was no one there to make any payments, yet there were 5 tellers just chatting around. I remember a similar experience while getting a new license plate in Omaha, Nebraska. It is great that there were no long lines for potential “customers” but at what cost?

With respect to government jobs, the US Bureau of Labor Statistics website says “Competition is expected for some Federal positions, especially during times of economic uncertainty, when workers seek the stability of Federal employment.”¹³ So not only does government itself create “economic uncertainty” as we will discuss in more detail shortly, but you can always count on government coercion to inadvertently pillage the private sector for that comfy yearly raise in pay and benefits, even at times when the private sector is licking its government-made economic wounds. All this is partly reflected in the bottom line, federal employees get substantially higher wages and benefits than private sector ones.

According to the US Bureau of Labor Statistics¹⁴, a government source, as of Sep. 2006 private sector employees get an average of \$25.52 dollars spent on them per hour while government employees get \$37.91. That is a difference of \$12.39 per hour for an almost \$500(\$495) per week(40 hours), \$1982 per month, or a whopping \$25,771 per year, \$78,852.80 for government vs. \$53,081.60 for private sector employee.

According to another report issued by the Cato Institute (Edwards, 2006) the figures are even more in the federal government employee’s favor. According to this report based on government provided statistics issued by the US Bureau of Economic Analysis, in 2004, the average federal government employee received \$100,178 in wages and benefits compared to \$51,876 for private sector employees. Looking just at wages, federal workers earned an average \$66,558, 56% more than the \$42,635 earned by the average private sector worker. The report also mentions how the advantage in federal pay over private sector pay has increased from 19% to 51% from years 1950 to 1980 and a whopping 93% from 1990 to 2004 or almost double as the initial figures show. Two indicators of the cushiness of federal government jobs are the following: fed workers are likely to be fired or laid off at one-quarter the rate of private sector employees, and they also quit their jobs at one-quarter the rate of private sector employees.

Four in five public-sector workers have lifetime pensions, versus only one in five in the private sector. Once a government employee has been sitting on his job for 20 years and is now getting great pay, benefits, and a growing guaranteed pension, he knows that if he leaves his job chances are that he might have to start at the bottom of the pay scale in some other government job, or with considerably less pay in the private sector, pay which would be truly reflective of this person's contribution to society and not how long he has been doing some simple bureaucratic task over and over.

In the public sector there is little incentive to actually save money. In the public sector your department gets a certain budget, if you come up with money-saving ways to perform your duty you do not get to keep the money, the money will probably just go to another department that was as inefficient and chaotic as usual, so managers have no incentive to come up with more efficient ways of doing things. It is actually the opposite, you want to make sure you spend it all to keep as many employees happy and dependent on your benevolence and if you go over budget a little, great, that just means that you have an excuse to ask for more money for next year's budget because it obviously wasn't enough to properly serve the public for which you so tirelessly work for. How often do you hear of a government bureaucracy actually finding a way to do things cheaper and giving the saved money back to taxpayers? But this sort of thing is constantly happening all the time in the private sector. Companies are forced via competition to adopt cheaper and better ways of doing things as they arise, which inevitably translates into savings for the consumer and increased profits for the companies/investors, profits which for the most part are saved and go to provide the necessary funds to make further profitable and pie-increasing rearrangements of the human ant-farm.

When you can profit from a superior rearrangement of the human ant-farm, you are motivated to take action and make the world a better and more efficient place. Making money motivates us to overcome what Spencer refers to as "organic conservatism" below:

"That organic conservatism which is visible in the daily conduct of all men, is an obstacle which in private life self-interest slowly overcomes. The prospect of profit does, in the end, teach farmers that deep draining is good; though it takes long to do this. Manufacturers do, ultimately, learn the most economical speed at which to work their steam-engines; though precedent has long misled them. But in public service, where there is no self-interest to overcome it, this conservatism exerts its full force; and produces results alike disastrous and absurd. For generations after book-keeping had become universal, the Exchequer accounts were kept by notches cut on sticks." Exchequer = sort of tax collector in England.

"A further characteristic of officialism is its extravagance. In its chief departments, Army, Navy, and Church, it employs far more officers than are needful, and pays some of the useless ones exorbitantly...These public agencies are subject to no such influence as that which obliges private enterprise to be economical. Traders and mercantile bodies succeed by serving society cheaply. Such of them as cannot do this are continuously supplanted by those who can. They cannot saddle the nation with the results of their extravagance, and so are prevented from being extravagant."

Government regulation

Besides government inefficiency and waste, which is not only a coercive burden to the working public that is taxed to sustain the government, but also greatly retards the technological progress of mankind as discussed in the section titled “Thinking about progress and its destruction”, another major source of unintended government destruction of prosperity comes via government regulation of the economy.

As already discussed, the market process essentially turns society into a large supercomputer that uses human brains to create and spread knowledge that coordinates the transformation of matter into the human usable wealth that sustains and grows the social order. This supercomputer is vastly more intelligent than individual brains or large groups of them when it comes to figuring out what is the best “way” to do anything. A government regulation is essentially a “way” of doing things, it is knowledge. But unlike the superior knowledge that arises from the social supercomputer and is constantly improving due to competition, a government regulation is a piece of knowledge that arises out of a few brains in Washington D.C.(or state/local gov.) and is then forced upon the social order via the law, and can only be changed via a painfully slow and consumptive bureaucratic apparatus made up of politicians, lawyers, lobbyists and special interest groups who always lack the necessary knowledge and incentives to discover what is the best way to do something.

The more the government regulates, the more it starts dictating the workings of the private sector as opposed to the social supercomputer/‘the market process’. Think about the following: what is the real difference between the private sector and the government sector? The government sector is shaped by the Washington D. C. brain, by delegation, by centralized planning, by a monopoly; the private sector is shaped by freedom/competition/‘the market process’. So the more the government regulates, the more it starts making the private sector look like the government sector leading to the very same inefficiencies and inevitable corruption that plague government.

The governmental brain, good intentions and all, believes that it can better figure out the way to orchestrate the actions of millions of people as it tells the private sector how to care for the elderly, produce energy, cure disease, ensure safety, and so much more. All of these things, anything that we want and care about, require figuring out what is the best way to go about doing them, and that is precisely what the market process does best, discovering productive knowledge. What really matters is ‘Where does the knowledge that guides human action come from?’² The more such knowledge arises from the private sector, the better it will be, the more it arises from a central planning authority, the worse it will be. When the government completely socializes an industry, say health care, it will inevitably grow more bureaucratic and cancerous. As the government regulates, it begins imposing its bad ideas from the top down at the point of a gun. As it begins and expands its regulation, the knowledge that guides human action comes less and less from the social supercomputer and more and more from the central planning body, a planning body, that regardless of the good intentions and genius of its members will inevitably lead to inferior decisions compared to those of the

market process coordinated private sector. And I am not even taking into account special interests like corporate salesmen influencing the bureaucrats to help them get that juicy government contract at the expense of the public. That we'll touch upon in a second. Bottom line, as Ludwig von Mises said: "Progress is precisely that which rules and regulations did not foresee."

So why do we feel like government regulations are good things? Again, in our tribal past, there was no need to have a way of discovering the knowledge required to give complicated human ant-farms order like we need today. The knowledge was simple, rarely ever changed and was easily understood by everyone. The main factor was honesty and fear of punishment for not doing things right, and this is basically what government is all about. It is about using its power of coercion to make sure everyone does things the way they are supposed to and to help enforce our sort of instinctive desire for equality. Government is the big ape that enforces our egalitarian tendencies. Figuring out what this "way they are supposed to" is, in our complex world is something that can only be done by the market process and its competitive knowledge discovery mechanism.

In today's world, we still want to make sure that if things don't get done right, that there is a penalty to pay (backed by force if necessary) but we depend on the market process and its competitive knowledge discovery mechanisms to be the one that finds out what that right is and that is what contracts and law #1 ("Do all you have agreed to do") are for. The government does not need to dictate how things get done: it only needs to ensure that what has been agreed to is met, and not how the market process goes about discovering the best way of meeting such contractual obligations. A contract specifies the terms of a trade: if the terms have been met, the trade has occurred as desired by both parties and both parties move from inferior to superior states of well-being. There is no need to consume resources trying to please a third party (government).

If I want a home that is strong and can withstand a category 5 hurricane and other criteria, all I need is for the home builder to agree in contract to build me a home that satisfies my conditions. If the builder agrees to do this for a certain price and then fails to do so there has been a violation of law #1 ("Do all you have agreed to do"), and the government needs to step in. That's all, not regulate how my house should be built. Spencer makes the same point when he writes:

"In the case of bad house-building, also, it is obvious that a cheap, rigorous, and certain administration of justice, would make Building Acts needless. For is not the man who erects a house of bad materials ill put together, and, concealing these with papering and plaster, sells it as a substantial dwelling, guilty of fraud? And should not the law recognize this fraud as it does in the analogous case of an unsound horse? And if the legal remedy were easy, prompt, and sure, would not builders cease transgressing?"

Again, we do not need to be concerned with how or what things get done, competition figures that out. We just need to ensure that the expectations are met and that therefore there is no fraud, and that should there be fraud that the government acts swiftly. Unfortunately, we call on government 'superintendence' to create all kinds of codes and building/safety/etc.

regulations, which we need an army of government inspectors to sign off on increasing the costs of our homes and many other things.

“So is it in other cases; the evils which men perpetually call on the State to cure by superintendence, themselves arise from non-performance of its original duty.”

The ‘original duty’ being that of properly enforcing our two fundamental laws.

A popular type of government regulation is when it dictates what the price of things should be, in other words, when it sets *price controls*. When the government forces prices to be lower than the free-market price, this depresses the profits or turns them into losses for the manufacturers involved in the production of whatever item is being considered, removing the incentive to produce the product/service. If the market price of gasoline goes up and the government mandates that it sells for a lower price, those involved in the gasoline production business have less incentive to create it thus leading to shortages when it might be mostly needed. In a catastrophe as the earthquake and tsunami that hit Japan on March 11th 2011, you want supermarkets to naturally raise their prices and increase their profits which will have several benefits. The higher prices and profits will motivate other minds to go into the business of bringing food/clothes/wealth to people which is what supermarkets do. It will also cause people to better ration whatever wealth there is in the supermarkets and prevent people from just buying more than they need and squandering resources. Just like with gasoline, when gasoline prices go up, people will squander less of it in gas guzzlers or unneeded trips. Unfortunately what often happens is that the economically ignorant public complains about “price gouging” and inevitably brings about policies that make things worse.

Spencer gives us an example where by not allowing cabs to raise their prices to properly reflect the increased costs of doing business during a snow-storm, cab services were not supplied when they were needed most. Spencer:

“The late snow-storm, indeed, supplied a neat antithesis between the two orders of agencies in the effects it respectively produced on omnibuses and cabs. Not being under a law-fixed tariff, the omnibuses put on extra horses and raised their fares. The cabs, on the contrary, being limited in their charges by an Act of Parliament which, with the usual shortsightedness, never contemplated such a contingency as this, declined to ply, deserted the stands and the stations, left luckless travelers to stumble home with their luggage as best they might, and so became useless at the very time of all others when they were most wanted!”

A couple of sentences further down Spencer mentions how government regulation causes many unforeseen evils, and how only the private sector can efficiently serve society and its ever changing needs.

“Again, the recently-passed Smoke-Bill for London, which applies only within certain prescribed limits, has the effect of taxing one manufacturer while leaving untaxed his competitor working within a quarter of a mile; and so, as we are credibly informed, gives one an advantage of £1,500 a year over

another. These typify the infinity of wrongs, varying in degrees of hardship, which legal regulations necessarily involve. Society, a living, growing organism, placed within apparatuses of dead, rigid, mechanical formulas, cannot fail to be hampered and pinched. The only agencies which can efficiently serve it are those through which its pulsations hourly flow, and which change as it changes.”

A great contrast between government regulation and the lack thereof can be seen in the differences between the health care and information technology(IT) sectors of the economy. As government regulations have increased in the health care sector, so have costs. Our health care sector has grown from consuming just 1.6% of the American economic pie in 1960 to 4.2% in 1980¹⁵ to a whopping 16% that was consumed in 2006¹⁶.

The technology sector is one of the freest sectors in the economy. You do not need a government issued license to create a website or to work as a computer programmer. Yet these “unlicensed” computer programmers write the software that runs critical medical equipment that maintains lives, the software that keeps planes in the sky, and all the other software that has become an indispensable tool for the maintenance and growth of our modern world. Computers get cheaper and better all the time. The Internet gets more amazing by the day and gives away more and more stuff for free, yet most people who work in the IT/technology field are making a great living.

Food and Drug Administration(FDA) and American Medical Association(AMA)

When it comes to health care, instead of getting better quality for lower prices like in the technology sector, we get higher and higher prices, and a very slow increase in technology that just barely crawls through the regulatory apparatus. The cost and time involved with getting a new drug through the disastrous FDA’s regulatory apparatus is astronomical, **nearly 800 million dollars** (Dillon, 2003). The FDA itself recently authored a report (FDA, 2007) on just how incompetent it is, and by its own admission it is in a state that can only be described as incompetent chaos. Here are some of its findings:

3.1.1 Finding: FDA does not have the capacity to ensure the safety of food for the nation

3.1.4 Finding: The FDA science agenda lacks a coherent structure and vision, as well as effective coordination and prioritization

3.3.4 Finding: The FDA IT infrastructure is obsolete, unstable, and lacks sufficient controls to ensure continuity of operations or to provide effective disaster recovery services

These are just 3 of 11 “findings” that make it clear that the FDA is a complete failure. Bill Hubbard, a former FDA associate commissioner, said, “Imagine having an e-mail system so old, they have to bring technicians out of retirement because current technicians have never seen equipment that old” (McKenzie, 2007). The computer systems are down frequently, paralyzing all progress. Stuff is done in paper and gets lost, etc. So this is where the 800 million go, to feed and clothe thousands of people who are disordered,

and produce little wealth in terms of verifying/testing drugs, while inadvertently slowing down such an important function for the progress and well-being of humanity.

The FDA, as well as ALL other government created regulatory agencies/bureaucracies are well intentioned MONOPOLIES. They are created purely via delegation, which won't cut it for the types of complex arrangements that are needed to properly coordinate, and prioritize the actions of thousands of people interacting with thousands of other persons and companies. The competitive-knowledge-discovery-sharing mechanism that occurs in the private sector is lacking, therefore the FDA inevitably grows more redundant, inefficient and chaotic as time goes by.

In a government bureaucracy, which is a monopoly, knowledge tends to be discovered within that monopoly/firm/'social body'. In the private sector, knowledge is discovered in the companies, *as well as in competitors*, and the superior knowledge and ways of doing things inevitably force their way throughout the social order, which cannot happen in a government monopoly. And I'm not even bringing up the wholly different sets of incentives which we already briefly discussed. Bottom line, it is IMPOSSIBLE for the FDA to do its job efficiently. Rep. Rosa DeLauro(D-Connecticut) , a critic of the FDA, said "I for one am not going to provide funds for an agency that has no management structure in place, doesn't have any idea of how to utilize the funds that the congress is providing to them" . Regardless of her good intentions, little does Rep. DeLauro know that the "management structure" that has the right "idea" of how to give an efficient order to resources will never come via a government monopoly. Eventually Rep. DeLauro will blame the people in the FDA, and maybe change the leadership with more seemingly competent individuals. But the result will inevitably be the same.

The same can be said about the American Medical Association and its decisions as to what is a safe or unsafe medical procedure, and what is the best way of filling a brain with the necessary knowledge to provide medical services. An eye doctor(optometrist) once told me that she could train a motivated apprentice to do her job, of checking people's eyes for the right lens to use as well as vision related illnesses, in about a year. But, although I don't remember her exact words, she felt like her long, arduous, and expensive journey through medical school, so she could get the *legal right* to do her simple job, was still a good thing because it ensured a certain professional demeanor to the profession. So thanks to our AMA bureaucracy, society trades countless hours of a person's youth, plus a couple hundred thousand dollars worth of wealth that is consumed by an overpriced education for a "professional demeanor to the profession". The costs of maintaining this often-times unneeded educational bureaucracy(repaying her student loans), are then passed on to the consumer in terms of the higher prices she has to charge to pay this back. She, as well as every other optometrist or licensed medical professional in general, can safely pass this cost on to the consumer because the government grants them a legal monopoly over providing their services. Her apprentice cannot just open up shop and charge people less because she does not have to pay back a huge loan. If she does this, she is a criminal for practicing without a license. The AMA's regulation of the medical profession essentially says: "There is only one way to practice optometry(or any other

medical practice) and you have to do it via this type of training.” It is a mandated piece of knowledge, which can only be changed by a slow bureaucratic AMA process. This also makes going into the medical field a much more unnecessarily grueling task than it would otherwise have to be, greatly diminishing the supply of people who enter the field, leading to shortages of doctors and disproportional higher salaries for those who jump through the hurdles. And then there are the costs involved in opening up a practice and learning how to stay legit and work within the heavily regulated insurance world, causing more money and wealth to be consumed by a misaligned bureaucracy, ultimately rising prices for the consumer, and eating away at their diminishing pie of prosperity.

Perhaps the biggest of all flaws in how the AMA goes about regulating the world of medical practice is in the assumption that doctors have to be some of the brightest and most dedicated people around, which it achieves by making entry into medical school and early training such an arduous process. But this is not true, what cures people is **not** hard working bright individuals, it is the tremendous amount of knowledge and cheap technology that the market-process-coordinated world puts at their fingertips. The brightest, most experienced and motivated doctor from the 1920s would be at a huge disadvantage compared to a motivated biology student with access to the Internet, modern technology, and a couple years of experience.

This flaw is not specific to the AMA, it applies to our educational establishments and much of how we look at learning and human intelligence. We force future computer programmers and engineers to learn unnecessary mathematics, making such degrees to be much more challenging in ways that have little to do with being productive. I’m not saying that placing a challenging barrier in someone’s path in order to test their ability is not a good thing, it can be, but who is to decide which roadblock to use, if a road block at all? Why should the best way of training an engineer or computer programmer involve learning how to prove some mathematical theorem? Here we can once again look to the Information Technology sector for a great example of how the free-market naturally evolves the best way of filling brains with productive knowledge. IT companies who reach a large enough size ultimately due to the great services they provide, and therefore the *useful/profitable* knowledge they contain, like Microsoft, IBM, and many others, go about creating their own educational institutions which train and test people using their products and technologies; products and technologies which are solving real problems and have been shaped by years of fierce competition¹. There are over 2.1 million¹⁷ individuals worldwide who have become Microsoft Certified Professionals(MCPs) by studying for and passing exams created by Microsoft. These exams change frequently to reflect the never-ending cycle of knowledge generation that exists in this freer and less regulated sector of the economy. At most bookstores you will find a huge selection spanning many shelves of IT/computer related books helping the members of this most thriving industry keep up with the latest and most productive ways of doing things. Probably half these books will be obsolete in a few years because new ideas/technologies will have replaced them. The

¹ Unfortunately government regulation via Patents is slowing down innovation in the IT field as well, more on this in section “The Damage of Intellectual Monopoly: Patents” below

freedom in the IT sector means that the incentives for innovation and the spreading of such innovation via competition moves at breakneck speed. Did the government plan the emergence of this beautiful industry and its highly evolved educational system? Of course not. It is thanks to the fact that it did not force its regulatory tentacles into the sector, that the market process was able to discover and propagate the needed knowledge with which to guide the human ants in such a wonderfully productive way.

Some people immediately say, “Oh but medicine is different, you can’t experiment on people like you can with computers. You have to be a lot more careful”. True, you do have to be a lot more careful but at a fundamental level this does not change things one bit. You are still looking for knowledge of how to do something. It doesn’t matter whether you have to be very careful or not, the process is the same, and is best achieved by competition in the free-market. Any attempt to create a government and therefore competition-free monopolistic bureaucracy will inevitably lead to waste and a paralysis of whatever it manages.

If the AMA-imposed and well intentioned regulatory hurdles were suddenly removed, doctor’s paychecks will come, not from the fact that they have a government granted monopoly on the right to provide this vital service to society, but on their effort and ability to learn and properly apply the latest knowledge discovered by the market process, which is how computer programmers and professionals in other fields make their living. Doctors today help us cure our diseases and most care greatly about their patients(I like to believe), but by inadvertently being part of our medical bureaucracy and preventing the market process from shaping their field via their well-intentioned regulations, they are actually the biggest detriment to our health, because they inadvertently stand in the way of what would otherwise be a much better solution.

This helps explain how regulation affects the incentives of both individuals and investors. There are millions of people whose current jobs depend on government regulation, some of these people make a lot of money like many medical professionals. If regulations are removed and the market process quickly reduces costs of great medical care by say 90% in a couple of years(which I think is a reasonable estimate) one type of doctor that makes say \$200,000 per year might suddenly find himself out-competed by superior ideas and now find a job that only pays say \$50,000. He wouldn’t be able to afford the prestigious doctor life anymore. Some types of jobs might completely disappear. Some doctors might make even more, the cost of some of the medical technology they need might drastically go down, who knows. But ultimately everyone will be much better off. Ah, I can just envision it, within 5 years there would be a medical device like Joe’s that can screen for most diseases in every Wal-Mart/Target/Mall in the country and be easily affordable to everyone.

I remember needing to get a root canal redone and doing research about it. In a root canal the nerve/insides of your tooth are taken out and the empty space is filled with some chemical(who some believe could be very dangerous) that helps prevent bacteria from growing in the empty space and causing problems. I don’t remember all the details of my research at the time, but it seemed like the better choice would be to just get a fake tooth and this way I would not have to worry about some bacterial infection growing inside

to old tooth and surrounding tissue(again). I could not find any convincing evidence that keeping the old tooth was a better choice, even the American Association of Endodontists(our government monopoly on how to deal with root canals and related troubles) website¹⁸ just said that it is always better to keep your natural tooth but no mention of statistics or research to back this up, and none of the endodontists I visited could make a strong case over removing the tooth. So what if it is simply better to get a new tooth when an old one needs a root canal? What if this new knowledge suddenly arises? What happens to people who have spent years and thousands of dollars learning everything about root canals when suddenly getting fake teeth becomes an overwhelmingly better option? These people would no longer be able to make a living doing root canals, and thanks to our regulation, if they wanted to do some other specialty, they would have to spend another large sum of money and years in medical school to practice some new specialty and not go to jail for it. So assuming that I might be right here, I could be wrong, but this does not change the validity of this example. What are the incentives of endodontists in this case? What are the personal incentives of the millions of people whose futures high wages, or wages at all, would be uncertain if regulations were dropped? I do not want to say that all of these people would selfishly fight this to the detriment of mankind but human beings are human beings and incentives matter, especially in cases like this. And many doctors have HUGE egos. Only if they understood economics really well and could clearly see just how quickly the world would progress, and more than make up for whatever losses people might suffer in the short run, would people be much more willing to more openly cheer for the dismantling of such regulations. That, coupled with people who work in the non-regulated sectors also putting legislative and social pressure to remove the regulations.

Do Information Technology professionals fear the removal of any regulation that forces people to do things a certain way to become an IT pro? These thoughts never even enter their minds because there are none. But it is a whole different matter with doctors and other medical related professionals. Thanks to technology your average neighborhood pharmacist is an overpriced, overeducated pill counter, whose high salary and self-esteem would fear the removal of the regulatory framework. Many expensive doctor visits are made just so that we get the legal right(doctor's prescription) to use medications or have access to medical technology like tests/'blood work'/x-rays. Sure we want to prevent people from misusing drugs, but people lie anyways to get the drugs they want, and in the end all of this just ends up increasing the costs of health care and getting in the way of superior results. It prevents good outcomes because of the fear of a few bad ones, which are needed anyways to help society discover the true consequences of actions and to learn from them.

The licensing of doctors and lawyers are very similar, they are both outgrowths of the same economic ignorance and incentives. Just like making life and death decisions is a very big deal and therefore we feel like we need the threat of force to ensure things are done right, so is dealing with crime and punishment and we therefore fall for the same erroneous logic. So at this point I'd like to insert an article by economist and lawyer Jacob G. Hornberger that briefly discusses the licensing of lawyers, and then another article by Murray N. Rothbard on licensure in general.

“Licensure: A Lawyer Protection Racket” by Jacob G. Hornberger, December 8, 2004

One of the most popularly held beliefs in American society is that state licensing of attorneys is necessary to ensure that they are competent. But you’d have a hard time convincing people accused of crimes in Virginia of that. In an editorial entitled “A System Still in Crisis,” the Washington Post describes in excruciating detail how so many criminal defendants in Virginia have been and are being inadequately represented by attorneys.

“Between April and September the state court of appeals dismissed at least 165 criminal appeals not because they lacked merit but because people appealing convictions missed key filing deadlines. Attorneys committed most of these errors, not clients representing themselves, and the bulk of those errors were committed by court-appointed lawyers or public defenders named to represent defendants who could not afford to hire lawyers on their own. Such numbers are shocking, but also depressingly typical, as we reported earlier. In 2003, the Virginia Court of Appeals threw out more than 10 percent of its criminal docket because of calendar errors committed overwhelmingly by attorneys.”

Unfortunately, most people believe that the solution is simply to discipline those state licensed attorneys more harshly. Failing to think outside the box, they fail to ask the critical question, Does occupational licensure of attorneys ensure competent attorneys and if not, why do we need it?

As the criminal-justice crisis in Virginia perfectly reflects, occupational licensure does not ensure competence or, for that matter, ethics. Instead, it seduces the public into believing that because a lawyer is licensed by the state, he must be competent and ethical.

So what is the purpose and effect of occupational licensure? It’s very simple – licensure operates as a protection racket for attorneys, protecting them from unbridled competition. By limiting the supply of attorneys through a rigorous and expensive system involving getting into and attending law schools and then passing an extremely difficult, state-administered bar exam, lawyers are able to keep the number of practitioners artificially low, thereby enabling them to charge higher prices to the public. In fact, as J. Gordon Hylton, professor of law at Marquette University, pointed out at a law conference at the University of Virginia School of Law, the reason Virginia imposed bar exams in the first place as a prerequisite to practicing law was to impede blacks from becoming attorneys, especially since the number of black attorneys was increasing during Reconstruction, when there were no state-imposed impediments to practicing law.

By repealing occupational licensure laws, we would still have, of course, incompetent and unethical attorneys, but at least consumers would be much more wary about the particular attorney they retained. Local and state bar associations could help consumers choose among a broad array of legal services by publishing lists of recommended attorneys and services. Prices for legal assistance would be likely to plummet, so that consumers would have more-reasonably priced legal services.

Of course, repeal of occupational licensure would entail overcoming

vehement resistance from the bar, including all those incompetent attorneys whom the Commonwealth of Virginia has licensed to practice law.

“The Trouble With Licensure” by Murray N. Rothbard

Not too long ago, the Tennessee Dental Society sued to stop a "danger to patients": professional tooth cleaning. Not that they had anything against professional tooth cleaning; they wanted the professionals to be dentists and their employees, not dental hygienists in independent practice.

One of the hygienists protested that her price was lower, and therefore people would get their teeth cleaned more often. "It also helps that they don't have to fear the drill, although I refer any problems I see to dentists." But she was driven out of business because she wasn't licensed as a dentist. What her customers thought meant nothing.

A few years before, the Oklahoma State Dental Society lobbied for a toughened law against "denturists": dental technicians who make false teeth directly for customers, bypassing the dentist.

At a press conference, the head of the dental society was asked if this weren't already against the law. Yes, he said, but a patient had to bring a complaint, and none would. It seems the denturists would give dissatisfied customers their money back – *and* let them keep the teeth in the bargain. A reporter wondered whether a dentist had ever returned an unhappy patient's money, and was told the question was irrelevant.

I like my dentist, and would never go to a less qualified if cheaper professional. But why should it be illegal, in a free market, for me to do so?

For centuries, professionals have sought to cartelize their occupations, that is, to limit competition. The stated reason is protecting consumers, but the real reason is financial.

Just recently, a legal secretary was threatened with jail in Florida. She was helping people fill out legal documents, something she had done in a law firm for 20 years. But now she was doing it on her own, for pay. In Florida, as in all other states, the actual crime is practicing unlicensed law, medicine, or dentistry for *money*, which alone tells us the real nature of the offense.

Medical organizations argue that only licensure enables us to distinguish the qualified from the goof-off. In fact, it is the reverse. Licensure endangers consumers by making them less watchful, since they assume that any state-licensed doctor is competent.

With specialists – where the market process of certification rules – consumers are very watchful. Any doctor may legally do plastic surgery, for example, but customers look for a highly qualified, well-recommended, board-certified surgeon. The same is true in every other specialty, as it would be for all physicians without licensure.

Why should it be illegal for a pediatric nurse to set up an independent practice in Harlem, or a geriatric nurse in West Texas? Yet both would be tossed in jail.

Again, I would never go to anyone but my family doctor. But why, in a free society, should I not be allowed to choose?

Restricting the supply of medical care has a long history. Hippocrates built a thriving medical center on the Greek island of Cos in the fourth century B.C., and taught any student who could pay the tuition. But when the great man died, there was fierce competition for students and patients, and the doctors sought to cartelize the system with the Hippocratic Oath.

The oath pledged devoted care to the sick, but also that "I will hand on" my "learning to my sons, to those of my teachers, and to those pupils duly apprenticed and sworn, and to none others."

In the modern world, England's Royal College of Physicians – a state-approved licensing agency – has long been the model medical monopoly, exercising iron control over its members' economic conduct. But this guild-like system wasn't salable in laissez-faire America.

In 1765, John Morgan tried to start an inter-colonial medical licensing agency in Philadelphia, based on the RCP. He failed, thanks to bitter infighting among the doctors, but did begin the first American medical school, where he established the "regular mode of practice" as the dominant orthodoxy. Those who innovated were to be punished.

After the Revolution, said historian Jeffrey Lionel Berlant, "a license amounted to little more than a honorific title." In Connecticut and Massachusetts, for example, unlicensed practitioners were prohibited only from suing for fees. And in the free-market 1830s, one state after another repealed penalties against unlicensed practice.

By the mid-19th century, there were virtually no government barriers to entry. As economist Reuben A. Kessel noted, "Medical schools were easy to start, easy to get into, and provided, as might be expected in a free market, a varied menu of medical training that covered the complete quality spectrum." Many were "organized as profit-making institutions," and some "were owned by the faculty."

From time to time, doctors attempted to issue tables of approved fees – with price cutting called unprofessional – but they failed, because price-fixing cannot long survive in a competitive environment.

Organized medicine's lobbying against new doctors and new therapies began to be effective in the middle of the century, however. The official reason was the need to battle "quackery." But as historian Ronald Hamowy has demonstrated in his study of state medical society journals, doctors were actually worried about competition lowering their incomes.

The American Medical Association was formed in 1847 to raise doctors' incomes. Nothing wrong with that, if it had sought to do it through the market. Instead, its strategy, designed by Nathan Smith Davis, was the establishment of state licensing boards run by medical societies. He attacked medical school owners and professors who "swell" the number of "successful candidates" for "pecuniary gain," fueled by the "competition of rival institutions." These men advance "their own personal interests in direct collision" with "their regard for the honor and welfare of the profession to which they belong." The answer? "A board of examination, to sit in judgment" to restrict entry and competition, which he did not point out could *only* have a pecuniary motive.

As philosopher William James told the Massachusetts legislature in 1898: "our orthodox medical brethren" exhibit "the fiercely partisan attitude of a powerful trade union, they demand legislation against the competition of the 'scabs.'" And by 1900, every state had strict medical licensure laws.

The Flexner Report of 1910, which Murray N. Rothbard discusses elsewhere in this issue, further restricted entry into the profession, as legislatures closed non-AMA-approved medical schools. In 1906, there were 163 medical schools; in 1920, 85; in 1930, 76; and in 1944, 69. The relative number of physicians dropped 25%, but AMA membership zoomed almost 900%.

During the great depression, as Milton Friedman notes, the AMA ordered the remaining medical schools to admit fewer students, and every school followed instructions. If they didn't, they risked losing their AMA accreditation.

Today, with increasing government intervention in medicine – often at the AMA's behest – the organization exercises somewhat less direct policy control. But it still has tremendous influence on hospitals, medical schools, and licensing boards.

It limits the number of medical schools, and admission to them, and makes sure the right to practice is legally restricted. The two are linked: to get a license, one must graduate from an AMA-approved program. And there is a related AMA effort to stop the immigration of foreign physicians. The AMA also limits the number of hospitals certified for internships. And licensure boards will accept only AMA-approved internships.

The licensure boards – who invariably represent medical societies – can revoke licenses for a variety of reasons, including "unprofessional conduct," a term undefined in law. In the past, it has included such practices as price advertising.

Medical licensure is a grant of government privilege. Like all such interventions, it harms consumers and would-be competitors. It is a cartelizing device incompatible with the free market. It ought to be abolished.

-----End of Rothbard's Article -----

I do not believe that most doctors or lawyers are aware of the damage caused by the government enforced licensing monopoly they are a part of. My guess is that at some point many do realize, but their minds wishfully downplay the harm this system does and allow themselves to be swayed by the economically ignorant arguments that support the status quo. The exact combination of pure malicious intent by those who know that they are benefiting themselves at the expense of society and economic ignorance is hard to determine but it is important to keep in mind that these licensing regulations are a combination of both. Ignoring the economic ignorance factor that leads to these regulations makes the person arguing against them seem a little crazy for saying that most health and law professionals are these evil people looking to use the law to screw the rest of society. Such a statement or thought would be wrong and rightly turn off most people. At the same time, not realizing that there are a large number of people who clearly understand the damage these regulations cause and intentionally try to enforce and expand them leads to ignoring powerful forces that help sustain the

system.

Although there have obviously been tremendous improvements in the medical field in spite of government regulation, let us briefly discuss two areas where the modern medical establishment which is highly regulated and thus greatly paralyzed and much more consumptive/expensive than necessary is horribly wrong and leading to tremendous suffering and expenses. These fields are psychiatry and nutrition which we'll deal with first.

Understanding obesity and the pitfalls of modern nutritional advice

The 'viral' ideology which most people and doctors believe these days is that fats make you fat, lead to all sorts of health problems and should be avoided, while carbohydrates should make up the majority of the calories we consume. This is wrong. Why are human beings the only fat/obese apes? Why should natural selection have shaped us to have such a hard time being fit? It didn't. Prior to human beings stumbling upon farming and the large quantities of carbohydrate-rich foods/grains it provided, human beings were hunter-gatherers who consumed more animal products(fat, protein) than the carbohydrate-rich foods we eat today. And because we had such low-carb diets for millions of years compared to the 10,000 or so we that have been eating mostly farmed/high-carb foods, our bodies have been naturally selected, or tuned or optimized, to best work under such low-carb diets and are in fact *damaged* by the high carbohydrate diets we now consume. At the heart of the problem lies the hormone insulin which plays a key role in regulating sugar/glucose levels in our blood and storing the excess glucose in fat cells. Whenever we eat carbohydrates which are eventually broken down to glucose, our body secretes insulin to deal with it. Once we stumbled upon farming and the majority of our calories came from grains and high carbohydrate foods, our bodies had to constantly secrete high levels of insulin as they deal with our higher than evolved-to-deal-with amount of carbohydrates, eventually helping cause various breakdowns in health, most notably diabetes, obesity, heart disease, depression, cancer and a lot more. Our unnatural high carb diets are perhaps analogous to putting too little oil in a car so that it runs too hot much longer than would have otherwise happened, leading to various breakdowns which we then research and attempt to fix with a plethora of medications without really addressing the root cause, the lack of oil, or in the case of our nutrition, the constantly elevated insulin levels due to such high-carbohydrate diets.

During my last year of college I had a part-time job working at my university's computer science department and there was a nearby pizza place with a cheap all-you-can-eat buffet which I would visit often. 6 months out of college working behind a desk in the real world I found myself 215 lbs¹ depressed about the prospects of becoming a stereotypical fat office guy. I got serious about nutrition and stumbled upon Dr Atkins New Diet Revolution book as well as Michael R. Eades' 'Protein Power' book. Even though I was still worried about attempting the low-carb approach given how it went against

¹ I'm 5'11 and was about 180 lbs through most of college before the weight gain.

conventional wisdom I figured that people can live for years in concentration camps with truly nutrient-deficient diets so I gave it a try. During the first two weeks I kept carbs below 20 grams per day and lost 14 pounds, I lost another 12 pounds the next two weeks and after about 3 months I was down to 170 for a total loss of 45 pounds. During this time my father too read Dr. Atkins book and with some encouragement we convinced my mother to give it a shot and in a few short months she too lost over 20 lbs and her high triglycerides and other imbalances as well as their related medication went away.

Anyways, I just wanted to at least write one paragraph about this important misdiagnosis by mainstream medicine. Gary Taubes “Why We Get Fat: And What to Do About It”, and Nora T. Gedgaudas’ “Primal Body, Primal Mind” are great books to read. Both books contain some of the most recent research as of this writing. Nora’s book goes beyond just fat loss and does a fantastic job at showing how many ailments can be relieved/cured/prevented by preventing the high carbohydrate diets that helped create them to begin with. Also check out Mark Sisson’s book “The Primal Blueprint”. How mainstream medicine can be so wrong will make better sense after the next section.

Understanding depression and the pitfalls of modern psychiatry

Our brains control our moods by releasing various chemicals based on the understanding of the world they have acquired. As we grow up our brains learn to make us feel good when we do things they consider good for us. A brain knows that things are good for us based on previous experiences it has had and associations of potential actions with positive outcomes. For example, say the company Amy works for has gone bankrupt and she is out of work. Amy doesn’t have a lot of savings so she needs to find a job quickly. If Amy’s brain reasoned that being unemployed with bills to pay led to a positive outcome then Amy’s brain would secrete a cocktail of chemicals that would have her feeling great which would motivate her to become a bum, but that is not the case, her brain easily figures out that there are potential bad consequences ahead and it releases stress-causing chemicals that will keep Amy thinking at night about how to remedy her situation. Suppose Amy finds a new job that pays even better than her old one and she will start next week. Now she is happy, her brain can envision all the great things that her new job will provide for her and rewards Amy with happiness-inducing chemicals which keep motivating her to act in ways that her mind considers will lead to success. Next let’s assume that Amy suddenly finds herself chased by a ferocious dog, her mind quickly releases a different cocktail of chemicals which lead to the emotion of fear accompanied by a release of the hormone adrenaline which would enable her to run faster than she would otherwise have. The point of these three examples is that *our brain chemistry is determined by how our minds feel like they need to motivate us to deal with the environment*. The mind itself changes the chemicals it releases based on how it needs to motivate the individual’s behavior. Ok, finally on to depression.

Symptoms that we tend to refer to as depression occur when our minds are in a state of deadlock and all possible courses of action seemingly lead to bad results. Imagine being in a situation where you don’t feel like you will ever be able to succeed. Your mind is sort of stuck, releasing chemicals that cause stress and anxiety for such a long time that it sort of wears itself out. Dr. Peter

Breggin explains:

“Depression often seems rooted in profound conflicts that no choice can resolve. A man wants to leave his wife, but his religion and upbringing have taught him that such a wish is forbidden. Besides, he cannot bear to bring so much anguish upon his young children. Yet he feels as if he is dying in the marriage. He becomes paralyzed and sinks into quiet despair” (Breggin, p. 127)

On the one hand this man’s brain calculates that his life would be a lot better if he were in a different situation, but at the same time he does not see how he can get to a better situation. He is trapped, whether you are in a jail cell and want to be free, or in a situation like this man’s, you want to accomplish something that you cannot do and the brain is stressing you out, motivating you to get to the superior state of well-being while it is impossible to get there. If this stress goes on too long, it sort of wears out the brain and you get depressed. Moreover, I believe that depression for too long begins to trigger a suicide mechanism for reasons already discussed, but this is just another sort of wild speculation. There might have been some sort of evolutionary advantage by having depressed people commit suicide which might leave more resources to others, or might relieve them from the effort of having to help the depressed individual. If there is one thing that can help the depressed turn towards suicide, it is feeling that they are a burden on those that are in a position to help them and sensing that from their actions.

Often times the circumstances that lead to depression are not as simple to diagnose as this man’s and might be character traits that have been shaped by events early in life. Whenever we attempt a new activity we end up learning the most early on. A great tennis player learned more about tennis during the first few years when he began playing than during his last 10 years as a pro while perfecting his technique. When the brain is shaping what we consider to be a personality, or an idea of the body it controls and how this body can best interact with the world around it, those first experiences will lead the mind down various paths from which a quick turn in another direction gets harder and harder as time goes by. When a young mind is traumatized by certain events it molds its behavior in a way that might be a reaction to such a traumatic event and not in a way that might be conducive to a happy existence under normal circumstances. Many people have personality traits that prevent them from being liked or properly function in society, and often times these traits were the outcome of bad early childhood or traumatic childhood events that the adult might not consciously remember. Breggin again:

“Beneath depression we often find feelings so painful that the person cannot handle them and, especially, cannot take meaningful action. The mind, as if acting on a signal from a frustrated will, shuts down. The therapist’s job is to help unlock the trap—to help the individual deal with otherwise unacceptable feelings and impossible conflicts—and in the process to encourage hope for a better way of life.

Guilt often fuels the mental paralysis. Psychotherapist Larry Timnauer has reminded me how guilt blocks our awareness of angry feelings, encourages our mental paralysis, and hence cuts off our understanding and options. Vivian, for example, repressed her memories of her cat partly because of her guilt feelings over his death and her outrage at her father. Phil and Mike both felt guilty about the death of boyhood friends. Mrs. Wright felt guilty about being a burden to her family. These people lapsed into psychological

helplessness in part because the losses or issues in their lives seemed too overwhelming” (Breggin, pp. 127-8)

Thus far in this brief discussion on depression I have not mentioned anything about depression being caused by any sort of disorder/disease or malfunction of the mind, or because of the existence of any sort of “chemical imbalance” in the minds of depressed people. There is a simple reason for this. Because there is no evidence of a “chemical imbalance” or disease/disorder of the brain that leads to depression. Actually, I take that back, there can be a “chemical imbalance” if the individual takes certain drugs or medications which create the imbalance or if the individual has an unnatural *diet high in carbohydrates* that wreaks havoc on the brain thus creating such an imbalance¹. Unfortunately, the mainstream medical establishment has evolved to treat people as if there is a disease or “disorder”, in other words, something wrong with the brains which leads to depression, while overlooking the truth, that depression is caused by environmental factors leading a mind to sort of wear itself out and/or by a diet which harms the brain. Instead of trying to understand the person’s life and environment/diet and trying to get this person to see the world in a way that is manageable, meaningful, happy and so on—a task that can involve many hours and ultimately deal with the very socioeconomic foundations of society²—the world of psychiatry has evolved to attempt to first discover what the *assumed* ‘chemical imbalance’ or disorder is, and then to try to correct this *assumed* imbalance/disorder by the use of psychiatric drugs, while at the same time ignoring/downplaying the environmental and dietary factors which cause the mind to put itself in a depressed state. I write the word ‘assumed’ in italics because there is not one iota of concrete evidence that points to the existence of this chemical imbalance and much less *which* chemicals are out of balance. Not only is mainstream medical advice wrong, it is dangerous and harming the lives of millions. Let us begin by looking at how antidepressants work and the amazing effect of placebos and what placebos tell us about the workings of the mind.

When antidepressants are tested in clinical trials, trial participants are divided into two groups, a group that is given pills with the active drug and a control group that is given a placebo, or fake pill that does not contain any medicine. Trial participants are not told in which group they are. Why is this done? Why not just compare people’s state of wellbeing to their previous state to determine the efficacy of antidepressants? Let’s answer these questions by seeing what happens when some people take antidepressants.

The mind has a certain understanding of the world, according to this understanding which is reinforced by the medical establishment, it believes that it is broken, that the reason why it is depressed is because there is a

¹ For a great introduction to how our modern high-carb eating habits and other nutritional deficiencies lead to symptoms that are associated with ADD/ADHD and depression see chapters 24-29 from Nora T. Gedgaudas’ book “Primal Body, Primal Mind”

² I mention this because bad economic policies, laws, ideologies and so much more *are* the main reasons why people end up in situations which lead to depression. How many people are depressed because they are struggling to keep up financially because they lost their jobs due to government economic ignorance? Or because the fear of high medical bills which again are a result of government economic ignorance? Again, these are stresses which would exist to a much smaller degree if society as a whole worked better. So as we will mention again, the real key to less depression is an overall more productive and prosperous society, not just solutions which focus on the individual.

chemical imbalance or disorder that is causing it to be in a depressed state and believes that the cure/help is the antidepressant that it will be given. To the mind that fully believes this, there is little use in cheering up with say a gift. The mind might momentarily secrete chemicals that increase happiness but it knows that this is short-term and that eventually the depression will return because the gift will not fix the underlying 'chemical imbalance'/disorder in the mind. So the mind naturally releases a chemical cocktail that keeps the individual depressed. When a person takes antidepressants, thanks to the expectations created by the medical establishment and the mind's understanding of the world, it believes that the antidepressant will cure it so that it now has a depression-free future ahead, this causes the mind to change its biochemical cocktail to one that is no longer as depressed, one that is happier and more motivated about life in general thus improving the symptoms of depression. Since the mind foretells a depression-free future, it can look forward to and motivate the individual to confidently and happily pursue activities. The more elaborate or impressive the fake pill or fake treatment is, in other words, the more impressed or convinced of the efficacy of the treatment the mind is, the more effective it will be, even things like fake surgery for some problems have been shown to be as or nearly as effective as the real surgery, which makes it hard for surgeons to know whether the surgery itself is the cure or the placebo effect. At times we might have seen a disgusting scene on TV which might prompt us to want to throw up even though no toxin has entered our stomach, this gives us a hint as to how powerful our minds are.

Given how the mind works, it does not make much of a difference whether the person has taken a real antidepressant or a placebo, what matters is what the mind thinks and how it alters its state based on its expectations. This helps explain why placebos are *almost* as effective at bringing temporary relief to some depressed people. For example, symptoms of depression improved about 40% for people taking antidepressants and about 30% for those taking placebos, making antidepressants about 25% more effective than placebos. This increase in effectiveness compared to placebos is what helps some antidepressants get FDA approval. This proves that antidepressants are great, right? Not really. What helps antidepressants do better than placebos is that most antidepressants have side effects which help reassure or convince the mind that is taking a pill that it is being cured or aided by powerful medications. If you are in a clinical trial, you are not told whether you are in the group of people taking the real medication or the placebo, so if your mind has doubts, it cannot sort of convince itself that it is being cured by the medication, but if it notices side effects, then it can be sure that it is being aided/cured by the drug and change its state to a happy one. When these effects are taken into account in trials that compare antidepressants to *active placebos*, which deliberately cause side effects, the difference in efficacy between modern antidepressants and active placebos becomes clinically insignificant. With this in mind, when one adds the fact that antidepressants have real detrimental side effects, cost money, and increase the rate of suicidal thoughts, their detriment to society becomes more obvious.

Using the Freedom of Information Act, Dr. Irvin Kirsch of the University of Connecticut and some colleagues got their hands on the data used for the FDA's approval of the popular antidepressants Prozac, Paxil, Zoloft, Effexor, Serzone, and Celexa. Some of their findings were as follows:

- 1) Most trials lasted only 6 weeks, with the longest 8 and the shortest 4. Dr. Timothy Scott makes the point that “This is a shocking fact when we recognize that repeatedly over the last several decades it has been conclusively demonstrated that many drugs appear safe for months and sometimes years but then are found to cause great harm and even death further down the road” (Scott, p. 162)
- 2) Only 4 out of the 45 trials that reported the number of people who decided to stay in the trial throughout its duration had at least 70% of the participants finish the trial. Why would 30% of people drop out, perhaps side effects were worse than the cure?
- 3) For 25 of the 47 trials the participants were also given sedatives.
- 4) In 4 out of the 47 trials placebos did as well or better than the antidepressants. In 9 of the 47 trials drug companies did not report mean improvement scores but “In each case, the statistical or medical reviewers stated that no drug effect was found.” For the remaining 34 studies antidepressants only scored 18% better than placebos on average, a small percentage improvement, most of which should be attributed to the fact that antidepressants produced side effects while the placebos didn't. The trials were done with inert placebos, which do not cause side effects as opposed to active placebos which would have.

In an important study by Duke University researchers led by James Blumenthal, during the first 4 months of the study, simple exercise was shown to be as effective at improving the symptoms of depression as Zoloft (one of the newer, and the most prescribed antidepressant in the US). But after 10 months, people who exercised did better than those taking Zoloft, and what was more surprising about the study was that people who were put in an exercise program *as well as given Zoloft* did far worse than those that just exercised and did not take Zoloft. What does this tell us? One explanation for the result is the ‘nocebo effect’ which is like the opposite of the placebo effect where instead of people brainwashing themselves into a happier state, they brainwash themselves into a poorer one. People on the study who do not like or feel like the antidepressants might harm them might tend to see themselves as being sicker thus helping the group who exercised and took antidepressants do worse than those who just exercised. But there is another more obvious answer, that the antidepressants just prevent people from getting better in the long run by keeping their brain chemistry in a truly unbalanced and unnatural state.

How can so many doctors/psychiatrists/experts be so wrong? Until very recently in the history of mankind medical treatments were based on superstitions which had little to do with real science and killing the real bacteria/germs/viruses which cause various ailments. Yet we had faith in such medical experts/magicians/etc. thanks to the placebo effect. People believed in their shamans/healers/potions/etc. and this belief helped the mind convince itself into a better state. This would also fool the shamans/healers/doctors of the day into believing that their treatments really did cure, which they actually did when it comes to improving the patients happiness, but again, all thanks to the placebo effect and how our minds work. One should also keep in mind that often times illnesses are defeated by our

own immune system and things just go away on their own. This too would be often times attributed to the treatments/potions/incantations/bloodletting/etc. being applied. So bottom line, for most of human history the field of medicine owed its very existence to the placebo effect. Actually, religion itself is largely the result of a sort of placebo effect where God gives us confidence that things will work out and when they do we give him credit thus making his existence that much more convincing. The same can be said about government too, but anyways...

At what point did medicine become effective for its real cures instead of the placebo effect? This did not happen overnight, it happened slowly and at different rates depending on the branch of medicine. For example, once an understanding of germs/disease-causing-bacteria came into existence by the late 19th century, medicine took a huge leap away from sort of 'placebo cures' to real cures. But dealing with germs/bacteria, which can be seen in microscopes and are relatively easy to experiment with, pales in comparison to the complexities of the brain and its effect on human behavior. So while some aspects of medicine happened to be easier to test in a more rigorous and truly scientific way, others like the brain remained too complicated for any real progress to be made and were thus liable to pseudoscientific bogus cures which owed their efficacy and spread to the placebo effect and the ability of pseudoscientific jargon to spread through the minds of 'experts' and a gullible public just like previous bogus treatments had done. There is an important parallel between the world of psychiatry and that of economics, both deal with highly evolved and complex systems, the mind and the social order, making them susceptible to erroneous pseudoscientific 'viral' ideas which infect intellectuals(doctors/economists) and the masses.

As ineffective and dangerous as the use of antidepressants on adults might be, their use for children is even more misguided. The PBS documentary "The Medicated Child" gives a glimpse into the ever-expanding world of psychiatry. Some of the highlights from the documentary are:

NARRATOR: ...Dr. Andrew Leon of Cornell University was asked by the FDA to review the data on antidepressant drugs like Paxil and Effexor[on children].

ANDREW LEON, Ph.D., FDA review panel, 2004: I have to say I was rather alarmed. I'd never seen how few of those trials had been positive, had shown that the antidepressants were more effective than placebo in kids. The clinical lore would have you believe that these antidepressants were very effective in kids, but the data didn't support that.

BENEDETTO VITIELLO, M.D., National Institute of Mental Health: Children are not just young adults. They react to medication in a different way. They can be more sensitive to certain side effects of medication. Sometime medications don't work in children. So it's not right, it's not safe to take information that we know in adults and try to apply them in children.

The documentary tracked some kids as they grew up and fell victims to the world of psychiatry. Some of the transcript narrating the story of 4 year old Jacob Solomon goes as follows:

NARRATOR: For a year, the Solomons resisted medicating Jacob, but teachers persisted. Finally, Jacob's parents took him to a doctor... Jacob was diagnosed with attention deficit hyperactivity disorder - ADHD - and prescribed Ritalin... The Ritalin helped with the hyperactivity, but it made him

anxious.

RON SOLOMON[father]: And so then we'd end up giving him a second medication to deal with the anxiety. And then the second medication would cause something else, some compulsive behavior, or a tic. And then they'd say, "OK, give him a third thing."

NARRATOR: At age 9, Jacob was diagnosed with a mood disorder. Doctors tried drug after drug- stimulants, antidepressants and antipsychotics. By age 10, he had been given eight different medications.

RON SOLOMON: It all started to feel out of control, so we decided that we wanted to just strip him off of everything. We had no idea how we got on as many meds as he was on. So we just made a decision, "We've got to- we've got to pull it back. We've got to sort of strip it out and see what we actually have here."

NARRATOR: Jacob was hospitalized and taken off all his medication. But he was about to be given what was at the time a new and controversial diagnosis for a child, bipolar disorder.

RON SOLOMON: They stripped him down off of everything. And then within 24 hours, they turned around and said, "He's bipolar. He needs to take Lithium." There was no, like, "Well, isn't there therapy?" Nowhere we ever turned was there this therapeutic solution. There was nobody ever said, "Well, we can work with this through therapy," and things like that. Everywhere we looked, it was, "Take meds, take meds, take meds."

NARRATOR: Then suddenly, on the morning of his 13th birthday, Jacob woke up with a stiff neck and started rolling his head, a possible side effect of all the medication he'd been taking.

IRIS SOLOMON[mother]: Most of these doctors were experimenting. They had no clue and were just saying, "Try this, try this." There's nothing worse than seeing your kid, you know, go through something like this

Just like in economics, where every ignorant government intervention in the economy leads to other economic problems and further interventions to fix those problems which leads to more problems in a continuous cycle of government expansion/consumption and economic decline, the world of psychiatry goes from one mind damaging intervention to another, creating more and more damage to the brain and sometimes leading to suicide or violent and deadly outbursts. Psychiatrists attempt to correct some 'chemical imbalance' or disease they *assume* is the source of the problem, just like economists/politicians attempt to fix some assumed 'instability' in the free-market. The complexity of both mind and social order and how they lend themselves to bogus pseudoscientific experimentation is, again, a main excuse for experimentation, failure, and the sort of growth of entire 'placebo bureaucracies' like much of government and its economists as well as psychiatrists.¹⁹

NARRATOR: They say it can take months or even years to untangle a case and decide whether a kid is bipolar or not.

Again, complexity is an excuse for failure and experimentation.

In another segment of the documentary:

DAVID AXELSON, M.D., Bipolar Institute, U. Pittsburgh Med. Ctr.:
One thing that's complicated is bipolar disorder is probably not a single,

unitary disorder. It's probably a syndrome that's a collection of things that are related and can overlap with other child psychiatric illnesses, including ADHD, including depression... We're barely getting started at figuring out what might be wrong in these kids' brains. You know, the brain's extremely complicated, and it's going to take us a long time to figure out these problems.

So 'bipolar disorder' to this "expert" is 'probably' a collection of ill-defined concepts for which there is no conclusive test or concrete evidence of their existence, only the subjective evaluations or guesses of medical professionals whose paychecks depend on the existence of stuff they assume exists. And again, all thanks to the complexity of the mind and human behavior. This might sound a bit harsh or imply that they consciously go along with something they know is bogus to make a good living. I do not think that this is the case, again, it is a combination of many factors.¹

As part of the documentary, a website that supplements it has a FAQ that mentions the following:

What are the trends and the future for mental health care for America's children?

On the scientific front, there is a lot of optimism among child psychiatrists. Producer Marcela Gaviria reports that the field is excited by the advances made in the last 20 years, and many experts believe they are probably 15 years away from finding a biological marker for mental illness. But funding research studies to see what therapies and medications work and are safe for kids is a challenge. Increasingly, researchers and the government are turning to the pharmaceutical industry for support.

Ok, so the "experts believe they are probably 15 years away from finding a biological marker for mental illness"!!!! In other words, they believe that they are 15 years away from having their *faith* vindicated by science, and based on this faith they have been experimenting with various chemicals on brains while conveniently turning a blind eye to their ineffectiveness and downright detrimental effects. More from documentary, this time dealing with another child, D.J.:

NARRATOR: One of the drugs D.J. is taking, Risperdal, is an antipsychotic commonly used on bipolar kids. It's known to cause tics, drooling and incessant eating.

CHRISTINA KOONTZ[D.J.'s mom]: He's just insatiable, hungry all the time. So whatever you put in front of him, he'll eat and then he'll just- he'll want to keep going and going and going. Their stomach never tells their brain it's full. So he could be stuffed and he'll still want to eat because he thinks he's

¹ A great analysis of how young medical students inadvertently fall for the pseudoscientism of psychiatry can be found in chapter 3 of Dr. Timothy Scott's FANTASTIC book ["America Fooled: The Truth About Antidepressants, Antipsychotics and How We've Been Deceived"](#) As I wrote in my amazon.com review of the book "Every page is full of great information. I could not put it down. The arguments and examples are so well laid out. This is not just a book, it is like a majestic edifice of reason upon which the entire world of psychiatry can crash into and not make a single dent." Another two books I'd like to recommend are Robert Whitaker's ["Anatomy of an Epidemic: Magic Bullets, Psychiatric Drugs, and the Astonishing Rise of Mental Illness in America"](#) and Irving Kirsch's ["The Emperor's New Drugs: Exploding the Antidepressant Myth"](#)

hungry.

NARRATOR: Some kids gain up to 100 pounds on antipsychotics and go on to develop diabetes. Christina says that despite the risks, they had no other choice.

Antidepressants/stimulants/etc. should be seen for what they really are, dangerous toxins whose side effects lead to what some people consider to be improvements in behavior at the expense of overall health and brain function. Taking your average 9 year old boy, who for a myriad of potential reasons which have nothing to do with an inexistent ‘chemical imbalance’ is too restless to sit still in a desk for 5-6 hours per day—*something which children have not evolved to do!!!*—, and placing him on drugs like Ritalin, simply interferes with normal brain function in biologically detrimental ways whose full repercussions are as hard to fully understand as the mind is complex. The side effects of such toxins might blunt or dull the child in ways which *might* make him better at sitting still and perhaps doing better in some subjects, *or so the myth goes*, because actual studies of long term psychiatric drug use in children show that there is no evidence that academic performance is improved. What might improve is the ability of the blunted child to better behave in class and thus please his teacher and parents at the expense of his long-term health and sanity.

People often get depressed due to financial stress, then they get diagnosed, medicated and receive government help for disability, which removes the financial stresses thus helping the person feel better, something which is then erroneously attributed to whatever cocktail of antidepressants a person is put on. Some people prefer to be labeled as sick and then be cared for which relieves them of life’s stresses. For these people to be “cured” means that they have to give up their disability checks and social help and sympathy, and once again deal with the real world, a world they might fear for the very same reasons that got them depressed to begin with.

One should not be blindly opposed to taking so-called antidepressants or any mind-altering substances. Some consume alcohol, cocaine, heroin, caffeine/etc. to “loosen up”, party, deal with particular stresses or whatever, yet taking these mind altering substances are correctly not seen as curing some problem with the brain, they are simply seen as things we do to improve our state of wellbeing, and looked at in this way, antidepressants, or again, any mind altering substances have their place in a free society. It is only the misdiagnosis of what causes depression, or behaviors some people consider detrimental, and the bogus association of these with assumed ‘chemical imbalances’ or diseases of the mind which is a real problem.

These few paragraphs barely scratch the surface of the devastating impact psychiatry is having. There is also the evolution of corruption and trickery within the pharmaceutical companies that lie in order to make the antidepressants seem useful, there is the corruption and willingness to look the other way by FDA officials...

The damage of minimum wage laws

Minimum wage laws are some of the most damaging government regulations. Among their many harms they put people out of work, make it

harder for society to educate its workforce, and even lead to poor health among the elderly. In order to get a good understanding of how this happens let's first review a few basic economic concepts.

Whenever a person works, he increases the economic pie by his labor and whatever goods or services he helps produce. If a person is unemployed, not only does society forego the additional wealth that this person would have created if he were working, but the economic pie is reduced due to the fact that unemployed people continue to consume wealth in terms of food, energy, etc. Whether this wealth comes from family members or it is coerced from others by the government via taxes or inflation, it is a complete loss to mankind that is not only a burden to those who have worked for such wealth and are coercively deprived of it, but ends up slowing down the very progress of mankind. I want to bring this up yet again because it is something that we always want to keep in the back of our minds.

Let's say that Tina, a small business owner who is a highly skilled and experienced tailor that fixes suits in New York City, can resize the length of dress pants or shirt collars and make other suit-related alterations at an average rate of one alteration every 6 minutes. People value the average suit alteration at about \$10 because this is what they usually 'trade for'/pay for each, so we can say that each suit alteration adds about \$10 worth of wealth in terms of suit alterations to the world's economic pie. Since Tina adds one suit alteration every six minutes and there are ten six minute slices of time in an hour, we can say that Tina adds wealth in terms of suit alterations at a rate of 10 suit alterations per hour. And since each of these ten alterations is valued/'traded for' \$10 dollars we can say that the monetary rate at which Tina increases the economic pie in terms of suit alterations is $\$10 \times 10(\text{alterations})/\text{hour} = \$100/\text{hour}$. Now Amy, who works at Tina's business but only has a few months of experience, takes two hours to make a single suit alteration. While Tina increases the economic pie at a rate of 10 alterations per hour, Amy can only do so at a rate of one alteration per 2 hours. Since it takes Amy two hours to create a suit alteration that is valued at \$10 we can see that the monetary rate at which she increases the economic pie in terms of alterations is \$10 every two hours or \$5/hour. From this small example we can see that people's labor create wealth at different rates. The more skilled or experienced one is, the faster the rate at which one tends to increase the economic pie.

As already discussed, a worker's wages will be related to how much society values whatever product or service the worker helps create. It would not be in Tina's best interest to trade/pay Amy \$5 or more per hour since her productivity only increases production, or sales revenues, at a rate of \$5/hour. If we assume that Tina pays Amy \$4/hour then Tina profits \$1/hour and is therefore willing to make the trade and "employ" Amy.

We always want to keep in mind the fundamental fact that working is just trading. Instead of thinking about Tina "employing" Amy, thinking about Amy "employing" Tina and her business can help further understand things. Tina, by having a so called "business" in New York City, already has a lot of 'productive order': she has a location that is near customers, her business already has a reputation coupled with advertising which helps spread knowledge of her services through people's minds that motivates them to trade for her business' tailoring services. Her business also has tools and equipment as well as other people whose combined expertise and

collaboration makes the business/'social order' far more productive than if everyone and the tools were not working together. The entire business can be seen as a tool that Amy "employs"/uses in order for her limited tailoring skills to produce about \$5/hour in terms of tailoring services. If it weren't for the existing business structure that Amy "employs" she would not be able to produce \$5/hour worth of tailoring services. Without the tools, location, the business' reputation, attractive multitude of services offered that lure customers in, and many other things that the existing business' social order provides, Amy might now have to spend 2 hours looking for a single customer and spend about 4 hours making an average alteration as opposed to two. So she now produces one suit alteration(\$10 in value) per six hours instead of two hours for a productive rate of just $\$10/6 \text{ hours} = \$1.67/\text{hour}$. So again, Tina's existing business can be seen as a tool that Amy employs to increase her own productivity. The same thing can be said about someone working at a popular fast food restaurant like McDonalds™. A teenager with relatively few skills can take advantage of one of the most productive and efficient social orders around, a company with a reputation that everyone recognizes, a highly advanced distribution system and equipment which help the teenager produce hundreds of low cost meals per day and therefore increasing his productivity tremendously compared to the alternative. It is thanks to the highly productive order that existing businesses already have, that individuals like Amy, our McDonald's employee, and everyone else can produce so much. With this in mind we finally discuss the damage done by minimum wage laws.

As of February 2009 the state of Washington has the nation's highest minimum wage regulation at \$8.55 per hour, which basically means that if you are unable to produce wealth at a rate greater than \$8.55 per hour, businesses will not be able to employ you because they would be losing money by doing so. It should be obvious that businesses cannot pay a worker more than the amount of additional revenue the worker's labor helps to bring in because companies would be losing money. Again, for example, if hiring an additional worker will increase my business revenues by \$3,000 per month, then I can pay the worker, say \$2,500, and increase profits by \$500/month. What I can't do is pay him more than \$3,000 which will lead to losses. So the minimum wage law puts low skilled people out of work and inevitably forces companies to layoff the most unskilled, uneducated and least productive workers and replace them for more expensive higher skilled workers or machinery that can do the work of 2 or more unskilled workers. For example, say you have three low skilled workers each making \$5/hour for a total of \$15/hour spent on their wages. You figure that their productivity coupled with your organizational skill and existing business structure brings in revenues of \$20 per hour so your business profits \$5/hour by employing them.

Next let's assume that due to the usual mixture of economic ignorance, misguided good intentions, zero-sum tribal minded thinking and many other factors politicians institute an \$8/hour minimum wage making the employment of all three at \$5/hour a criminal activity. Since paying each \$8/hour for a total of \$24/hour would be less than the \$20/hour in revenue they help produce, the business would be losing money at a rate of \$4/hour, so you are forced to fire them and hire in their place a smaller amount of more skilled people. Maybe you hire 2 more experienced and productive workers for \$9/hour and end up paying \$18/hour in wages/costs leaving you with a smaller hourly profit of $(\$20 \text{ revenue} - \$18 \text{ costs or wages}) = \$2/\text{hours}$ instead

of \$5/hour.

The example above also led to a smaller hourly profit of \$2/hour instead of \$5/hour. If hiring the two more skilled workers that could do the work of the three novices were the most profitable and therefore productive alternative, the business would have already been doing so because in the free market businesses naturally structure themselves in the most profitable way possible, thus we can be fairly certain that anything that forces them to do things that they would normally not do (regulations), has to lead to less profitability and therefore less economic growth and technological advancement. The smaller profit lets us know that the social order is not as efficiently structured as it was before. Once again the more profitable a company is, the richer society will be, the faster it can build savings and invest therefore the faster it will move into more technologically advanced and productive states. Let's go over another very similar example.

In a free market, there are many ways in which to combine labor. At times the most productive strategy might be to have many low skilled workers, other times it might be best to have an expensive machine do the work of many low skilled workers. The optimal solution, like everything else, is discovered by freedom/competition/'the market process'. The minimum wage law essentially forces society to forego the option where many low skilled workers are the most productive solution and chose a smaller amount of higher skilled workers or machines when it would not be as good for society, and not to mention those who are put out of work, people who are by law prevented from trading whatever little skill they have for the money they most desperately need.

Imagine a business has monthly revenues of \$10,000, which means that the combined productivity of its workers produces wealth at a rate of \$10,000 per month. How do we know that they produce about \$10,000 per month of wealth? Again, because this is what society freely traded for whatever product or service they produced. Assuming a standard 40 hour workweek, 4 weeks/month and a minimum wage of say \$5/hour, given that the minimum monthly wage of an employee would be $160\text{hours/month} * \$5/\text{hour} = \$800/\text{month}$, this business could have an internal order that could employ no more than 12 people ($12\text{workers} * \$800 = \text{about } \$10,000$) if we assume everyone produced at a rate of \$5.21 which would add up to the \$10,000/month in wealth production. If the minimum wage is increased to \$8/hour so that now the minimum monthly wage would be \$1280, then the 12 workers whose skills and experience allow them to produce at a rate of \$5.21/hour have to be laid off and replaced by a smaller number, seven, of higher skilled and more productive ones that can produce at a rate of \$8.93/hour which would combine to produce the monthly \$10,000 worth of wealth¹. If the minimum wage is further increased to \$10.50/hour then those seven would have to be replaced by 5 even more skilled ones who could produce at a rate of \$12.50/hour. Similarly, instead of hiring fewer more skilled workers instead of low-skilled, often times companies find it in their best interest to replace low-skilled workers with expensive machinery. For example, in American Samoa, a U.S. territory in the Pacific Ocean, in 2007 the

¹ In reality overall productivity would most likely go down somewhat so revenues would probably be less than \$10,000, but this is negligible for our purposes.

minimum wage was 3.25\$/hour but the usual mixture of economic ignorance led to the Obama administration legislate 50 cent yearly increases until it reached the U.S. rate. Because of this increase “Chicken of the Sea International moved its operation from Samoa to a highly automated cannery plant in Lyons, Ga. That resulted in roughly 2,000 jobs lost in Samoa and a gain of 200 jobs in Georgia.”²⁰

So as the examples above show, the higher the minimum wage, the more educated/skilled/experienced/productive people have to be in order to find employment, or to legally trade their labor in a way that benefits others. Again, working is just trading, the productivity or value(increased revenue) that a business ultimately gains from trading with a worker has to be greater than that which it gives up in terms of monetary wages to the employee, if this is not the case, there is no trade and therefore no employment. Minimum wage laws essentially say that if you are not productive enough you will be out of work, period. This is especially damaging to young people entering the work force and ethnic minorities. As economist D.W. MacKenzie mentions:

“While it is true that minimum wages do not drive the national unemployment rate up to astronomical levels, it does adversely affect teenagers and ethnic minorities. According to the Bureau of Labor Statistics the unemployment rate for everyone over the age of 16 was 5.6% in 2005. Yet unemployment was 17.3% for those aged 16-19 years. For those aged 16-17 unemployment was 19.7%. In the 18-19 age group unemployment was 15.8%. Minimum wage laws do affect ethnic minorities more so than others. The unemployment rate for white teens in the 16-17 age group was 17.3% in 2005. The same figures for Hispanic and black teens were 25% and 40.9% respectively. Of course, these figures decrease for older minorities. Blacks aged 18-19 and 20-24 had 25.7% and 19.9% unemployment in 2005. For Hispanics unemployment was slightly lower — 17.8% at age 18-19 and 9.6% at age 20-24.”²¹

The usual cry for high minimum wages is that people want a wage that will be good enough to earn a decent living, people fear having a job but still not being able to live well. But how silly is it to expect a paper boy, or a teenager who just wants to make some money while she takes a few calls in an office, and other simple jobs, to be jobs that pay enough for one to raise a family, own a car, and have great health care! To expect all jobs to pay high enough to achieve this is just plain silly.

Minimum wage laws also bring a sort of chaos to the world of education and low skilled employment. It makes hiring and training people a much riskier and expensive task, expenses which are then passed on to the consumer, reducing society’s economic pie when compared to the freer alternative. For example, let’s imagine a scenario where Tina hires Amy as an apprentice and that they are living in Washington state where the minimum wage is at \$8.55/hour. Tina would have to pay Amy the \$8.55 per hour for many hours while Amy’s contribution in terms of suit alterations which can be traded with the public will be substantially lower than \$8.55/hour. When Amy starts, not only will she not contribute to wealth in terms of suit alterations, she will be a drain on production because the pro, Tina, has to give up producing wealth at \$100/hour to spend time teaching Amy, an activity which does not create wealth, or retards the rate at which Tina creates wealth. If it takes Tina twice as long to fix things because she is teaching Amy, she is

now producing wealth at a rate of \$50/hour instead of \$100/hour. And since she is forced to pay Amy \$8.55 per hour, she is now producing wealth at a rate of $50 - 8.55 = \$41.45$ /hour instead of \$100/hour. Once Amy gets to the point where her hourly contribution in terms of suit alterations leads to an overall increase in production at a rate greater than \$8.55/hour, Tina will finally find it in her best interest to do business with Amy. But what if Amy leaves and gets a job elsewhere? This could be a devastating blow to Tina which increases the risk of dealing with low skilled people. Tina would not have trained Amy at a loss if she knew Amy would leave soon after. In this scenario, Tina and her business were clear losers. Let's think about the sort of opposite scenario where the Amy, instead of getting paid while she is unproductive to the detriment of Tina, essentially has to work for free in some sort of "internship". In this case Amy might work many hours in which she is producing wealth at a rate of up to \$8.55/hour, yet by law she cannot trade her productivity/labor for money until the value of such productivity reaches the minimum wage. And once Amy reaches that level of productivity Tina is much better off not hiring her when she might have another intern who might produce \$7/hour yet she does not have to pay anything to, right? In this case Amy is harmed compared to a freer alternative. The opportunity of getting paid a small wage up to \$8.55/hour has been denied to her by law.

The elderly are also adversely affected. As we get older we naturally become less productive. We get slower, more forgetful, less willing and able to do physically demanding work and we might need more help from others to perform certain tasks. As our productivity goes down there will come a moment when it becomes less than the minimum wage and at that moment one becomes unemployable and forced to live off of savings, family, or at the expense of others via coercive government programs. It is true that we do not want to see elderly fear for their lives and wellbeing should they not be able to afford basic necessities, but making it illegal to work simply removes options and puts them out of work. In the case of the elderly, unemployment can also have more subtle detrimental effects, especially when it comes to their physical and mental wellbeing. It seems like common wisdom is always telling people to look for ways to stay active and mentally alert as they get older. Having a job is a great way to achieve all of these and more, yet due to minimum wage laws, the elderly are pushed closer to living sedentary, unhealthy and less psychologically purposeful lives.

People who are mentally disabled are also prevented from being more self-sufficient and being less of an economic drain on their families/care-takes. Minimum wage legislation takes away the pride and sense of accomplishment that comes from being able to be productive and have a life not much different than everyone else who works and interacts with others for a living, and replaces it with an unproductive life of dependence and feeling like you are much more different than others when it should not be the case. With a little help and supervision many mentally disabled people, like many who have Down syndrome can be very productive. Again, what makes us productive is the increased efficiency of our social order, not so much how intelligent or capable each of us is. Today a person with Down syndrome might be profitably employed in a supermarket bagging groceries and performing other simple tasks and perhaps earn \$3 per hour. Yet this \$3 would allow this person to feed and clothe himself and afford all kinds of things that would have been impossible to achieve 100 years ago. So basically as society progresses, raising

the productivity of the relatively least productive, minimum wage legislation constantly denies these people from enjoying the fruits of technological progress.

Child labor laws

One last major point I want to touch upon that is related to minimum wage legislation is child labor legislation. The first thing that comes to many people's minds when it comes to repealing such laws are images of poor children performing dangerous jobs and potentially getting mauled by machines working in factories during the Industrial Revolution in 18th and 19th century England. With respect to child labor during this historical period several things need to be kept in mind, number one, much of it was overblown and the result of the usual overzealous do-gooder mindset that leads politicians to exaggerate evils in order to cut them down with their legislations. Perhaps the most influential of such exaggerations was the Sadler report created by a member of parliament in 1832 that was, as economist Dr. Lawrence W. Reed put it "filled with stories of brutality, degradation, and oppression against factory workers of all ages and status, it became the bible for indignant reformers well into the twentieth century."²² R.H. Greg, author of *The Factory Question*, 1837 accused Sadler of giving to the world "*such a mass of ex-parte statements, and of gross falsehoods and calumnies ... as probably never before found their way into any public document.*" Even Friedrich Engels, the partner and financier of the world's most famous anticapitalist ideologue Karl Marx said that Sadler's report "*... is a very partisan document, which was drawn up entirely by enemies of the factory system for purely political purposes. Sadler was led astray by his passionate sympathies into making assertions of a most misleading and erroneous kind.*" Dr. Reed also points out the important distinction that the children who worked in the worst conditions were more likely to be kids who were under the custody of "parish authorities" which were England's version of America's Child Protection Services, and not parents who would provide greater care or concern over "free labor" children's working conditions. With respect to this Dr. Reed continues:

"Historian Robert Hessen is one observer who has taken note of this historiographical mischief and has urged others to acknowledge the error. The parish apprentice children, he writes, were "sent into virtual slavery by the parish authorities, a *government body*: they were deserted or orphaned pauper children who were legally under the custody of the poor-law officials in the parish, and who were bound by these officials into long terms of unpaid apprenticeship in return for a bare subsistence."²³ Indeed, Hessen points out, the first Act in Britain that applied to factory children was passed to protect these very parish apprentices, not "free-labour" children."²⁴

Besides these points the most important thing one needs to keep in mind is what would the alternatives have been? Going hungry, remaining without experience and skill, searching through disease ridden dumpsters or landfills, etc. Outlawing the employment of children just removes superior alternatives, and increasing the costs of hiring children via compliance to the usual labyrinth of regulations just makes it more expensive and therefore less attractive to hire them. If a child worker can increase revenue by say \$500 per month, then he will be able to find employment and earn an amount close to the \$500 minus his employer's profit. Let's assume he will receive \$400 in

exchange for his labor. If the business that wants to trade for the child's labor now has to upgrade equipment to make it "child-safe" according to some bureaucrats, it will simply choose not to hire children to avoid the expense, or pay the children less to make up for the additional costs due to the regulation.

In a recent op-ed piece in *The New York Times* two-time Pulitzer Prize winner Nicholas D. Kristof rightly criticizes president Obama and the usual following of well-intentioned but economically ignorant ideologues about the damage done by "labor standards" legislation that attempts to stamp out or regulate so-called sweatshop labor in poor countries. While discussing the lives of poor families who survive by scavenging for about a dollar per day in landfills he writes:

"Talk to these families in the dump, and a job in a sweatshop is a cherished dream, an escalator out of poverty, the kind of gauzy if probably unrealistic ambition that parents everywhere often have for their children....Another woman, Vath Sam Oeun, hopes her 10-year-old boy, scavenging beside her, grows up to get a factory job, partly because she has seen other children run over by garbage trucks. Her boy has never been to a doctor or a dentist, and last bathed when he was 2, so a sweatshop job by comparison would be far more pleasant and less dangerous."²⁵

At the heart of all fears related to minimum wage legislation lies the fear that employers will offer less and less for labor driving down wages, but this is impossible. For reasons already discussed the more wealth society creates the more has to be offered in exchange for things/labor because this is what free competition forces everyone to do. There would be no race to the bottom, just as there is no race to the bottom now leading everyone in society to work for the minimum wage.

More on regulation

So back to the FDA and drugs. Yes, we want these things to be safe, but how do we discover the best way of doing so? How do we find the ideal balance between preventing deaths due to early adoption of bad drugs, and saving the lives of those who would otherwise die as they waited for drugs to be approved? How do we discover the optimal way of keeping costs and time down while taking into account the countless other factors involved? I know nothing about the world of drug testing, but my basic understanding of economics and how the market process works, clearly lets me know that the solutions that would arise from the market process coordinated interactions of the millions of patients, doctors, entrepreneurs, etc., would be far superior to what any centrally planned bureaucracy could ever come up with. Does France have a software quality control agency that ensures that the software they use has been properly tested? No, they buy the best software they can find which probably happens to be made in the USA. The same reasoning applies to figuring out what medical procedures are best, and how to go about filling a brain with health care related knowledge. This discovery can best be done by freedom and competition, by the market process.

When someone in the technology sector has an idea, he is free to go after it so long as he does not violate our two laws¹. The entrepreneur can

¹ Not necessarily, patents can turn innovators or people who copy a way to solve a problem into criminals. We'll look at patents in more detail in a few pages.

devote almost 100% of his mental capacity to looking for better ways of serving society. It is easy to figure out when you might be violating our two laws and steer yourself in the right direction. Unlike the IT entrepreneur, the health care entrepreneur is clueless as to what he can legally do and what will have him incarcerated. The only way to figure this out is to spend thousands of dollars on medical legal experts learning how not to be a criminal, and as you do so you are forced down a path “of dead, rigid, mechanical formulas”, which can only be changed slowly and expensively by a bureaucratic process which usually just leads to more regulation and making things worse. This bureaucratic hurdle is a cost everyone has to overcome and is passed on to the consumer increasing our premiums by about 10 percent per year, filling us with fear, launching us straight to Socialism as we ask the big ape government to solve the problems.

Why is health care so heavily regulated compared to other industries? Our instincts for equality and our fears and concerns are obviously very strong when it comes to something as vital as health care and therefore we are even more demanding of some visible entity to ensure that things get done as well and as equitably as possible. Few things can spark our envy and inherent desire for equality more than knowing that some richer fellow can easily afford better medical care while we have to fear for the lives of our children. Since medicine is so important to us, courageous and well-meaning revolutionaries have strived to make it available for free or as a ‘right’ for everyone. Russian communist leader Vladimir Lenin said that “medicine is the keystone in the arch of socialism”, and quite naturally, as was the case in the early 1900s when the egalitarian moral impulses of the Russian masses rose Lenin to the top, equality in health care is increasingly becoming the major issue which we use to put our charismatic leaders in power. This strong concern translates itself into more government regulation, which serves to burden and force down a certain rigid path of knowledge the many brains that are trying to discover the best ways to organize the sequence of steps needed to best take care of our health. As economist Sen. Edward M. Kennedy(D-Mass) said “We have it in our power to make the fundamental human right to health care a reality to all Americans.”²⁶ And also buddy economist Sen. John V. Kerry(D-Mass) “I’m committed to universal health care coverage because, in America, health care is not a privilege, it’s a right.”²⁷ And last but not least, our new presidential economist Barack Obama “believes firmly that health care should be a right for everyone, not a privilege for the few.”²⁸ Whether such government run health care, with what will surely be millions of employees, is organized in a way that consumes 100 times more wealth from the economic pie than it would ideally need and eventually bankrupt the country, or whether it is a way that is conducive to the technological improvements that are so key to finding better medicines and cures, these factors, which can only be solved by the market process, are not part of our thinking.

Our FDA, AMA, and medical industrial complex bureaucracies will inevitably collapse. This can happen in one of two ways. One, they continue to aid the growth of inefficiency to the point where the entire economy collapses, or two, because there is still enough much freedom for the market process to work and they themselves are out-competed by people getting care *overseas*. Government regulation eventually turns the entire medical sector of the US economy into one gigantic company which is shaped by the inefficient bureaucratic process and therefore becomes increasingly consumptive and

expensive, while the many medical establishments *outside* of the US are free from such regulation and are shaped by real global competition and therefore continue to lower costs and improve care compared to the US medical sector until it is finally forced to change. This gives us an opportunity to understand why it is so important for the march towards global government to be stopped. The trend towards global government via international governmental organizations will begin to regulate and inadvertently prevent competition on a global level, ensuring that market-process-paralyzing regulation stamps out even the last resort of global competition. Here we can also see the importance of free trade among nations. Governments can only damage the market process in their local economies, but if they allow free trade, at least there will still be competition at the global level and the market process can still function, albeit much less effectively. Money and resources can flow to other countries where the conditions/laws are more favorable for profitable business and benefit those who import the cheaper goods and at the same time starve and hopefully induce free-market reforms in the heavily regulated local industries like America's medical sector.

Further proof of our maladapted thinking is how politicians are always "fighting for health care", "fighting for better education", "fighting for the elderly", everything is a fight against an implied enemy, that enemy being the haves and inherent selfishness and greed of human beings, because that is all that mattered in our tribal world. If there wasn't a guy with resources in the tribal world, then it would be obvious that there was no need to fight over anything, but as long as we have inequality in our modern human ant-farms, the 'fight' will be against the haves and inadvertently, against the workings of the market process and against the productive order of civilization.

So government regulation has two main drawbacks, number one is that the regulations themselves force the social order to morph itself down a less than ideal path to begin with. Second, is that a tremendous amount of wealth and mental capacity has to be diverted in order to comply with such regulations. The millions of lawyers, compliance experts, government employees, their secretaries, plus the smaller industries that grow from the need to support such regulatory social orders, all consume wealth from the economic pie. Yet their services are not really of value to society, they are only valuable in the sense that they prevent companies and entrepreneurs from being locked up by not being legit. But compared to the more prosperous social order that would emerge should the government not regulate, a social order where these same individuals would still consume but now add truly economic-pie-increasing wealth, their jobs are a detriment to mankind.

I am briefly reminded of a time I thought about what I would have to do to be able to sell copies of my finished book in a lawful way in the state of Florida. I would have to collect sales tax. How does one do this? What are the rules involved? What if I only sell a few books, or just one, do I still need to collect this tax? Fortunately Florida had a website that would ease the process but this too was a ridiculous burden. The website had many forms asking all kinds of questions like if I planned to:

"Own or operate a dry-cleaning dry drop-off facility or plant in Florida?"

"Operate coin-operated amusement machines at your business

location?”

There were about 10 pages asking all sorts of irrelevant questions before it actually told you that you had to collect sales tax and move on to yet even more pages. I did not bother completing the process at the time so I don't really know how much of a hassle it is just to do the harmless act of trading a few books for money without becoming a criminal.

Every business owner has to go through an increasing number of hassles in order to avoid being a criminal, perhaps the most common being that of paying income taxes. I am reminded of a married couple I once rented a room from. They operated a small modeling/talent agency and photography business that in a year did business with hundreds of people. Every year they had to spend an average of 80 man-hours and from \$500-\$1000 in other tax-related expenses. They had to prepare and send out dozens of those W-2 forms, make sure they withheld the social security payment, get the amounts right and many other details. Eighty hours is two standard work-weeks, or the amount of vacation time many people get. None of this effort helped produce any wealth, they still had to eat, consume gas, etc. These people were extremely hard working, responsible and crafty. They kept up with new technologies as they came, from networking their own business to creating websites, and so much more. Those 80 man-hours could have increased the economic pie by more of their services, which they would have traded for more money which perhaps would have helped them afford our artificially high premiums for health insurance they could not afford. But let's face it, without their tax money the government could not do so much, there would be chaos, right?

The key to understanding government evils lies in understanding the simple fact that social order depends on knowledge needed to coordinate the continuous cycle of production and consumption in a way that it produces more wealth than it consumes. When an industry is socialized, all knowledge of how it should order the people that work in it comes from government, a monopolistic entity that is immune from the market process' competitive knowledge discovery and subsequent social order shaping mechanisms and is therefore bound to be a social cancer which consumes more and more wealth while adding less and less in return. When the government regulates the private sector, the private sector begins to lose its "privateness" in terms of where and how it discovers the best way to give a productive order to people. As opposed to the competitive market process spreading knowledge through society, it begins to do things via inferior knowledge generated via the bureaucratic process arising out of a single monopolistic entity. So its human ants begin to consume more and more compared to how much wealth they add to the social order. So whether it'd be figuring out how to test drugs, educate people in the health care field, or educational field, it doesn't matter. If it is productive social order we want, freedom and the market process is the *only* way to go about it. Temporarily one can believe that government solutions will work, but this is what has governments borrowing more and more, putting off the problems into the future, which is what the US is currently doing, until major economic collapses put an end to such impossibilities.

A recent Business Week article titled "Do Cholesterol Drugs Do Any Good?"²⁹ once again brought to the forefront the fact that cholesterol

lowering drugs barely do any good at all. The difference between 100 people taking the leading drug Lipitor and a sugar pill was that 3 people with sugar pill got a heart attack while only 2 taking Lipitor did. Yet an amount of wealth equivalent to that produced by a small country like Nicaragua, about 28 billion dollars, is forked over by over 12 million people to pay for these “statin” drugs. Dr. John Abramson, clinical instructor at Harvard Medical School and author of the highly recommended “Overdosed America” says : “We should tell patients that the reduced cardiovascular risk will be replaced by other serious illnesses”³⁰

Anyways, this is not a book about giving statistics about how disastrous our bureaucracies inevitably become. We are mostly focused on the fundamental economic principles here. Once those are properly understood, there should be little need to look for such damaging statistics.

The damage of intellectual monopoly: Patents

In this section we’ll briefly discuss what patents are and how they do more harm than good.³¹ A patent is a government granted monopoly on the use of an idea/knowledge. For example, when the scientists at BetterDrugs company discover a new drug, the company files a patent application with the United States Patent Office proving that it has discovered something new and useful. As a sort of reward for BetterDrugs’ efforts and costs associated with research, the government grants the company a patent for the drug, which means that the government will punish anyone who manufactures the drug or makes use of this knowledge without BetterDrugs’ consent. The standard argument in defense of patents is that if the government did not grant them, inventors/researchers would have little incentive to spend money in research because once they stumbled upon a new discovery someone else can just copy it at no cost to them. For example, let’s say BetterDrugs spends 2 billion to develop and prove the efficacy and safety of a chemical compound that reduces the rate of heart attacks by 20% with few potential side effects. In a world without patents, once it begins to market the drug(let’s call it CardioMas), every other drug manufacturer simply copies the formula, and competition between the drug makers brings the market price of the drug to something a little above the cost of manufacturing it, a price which would not bring in enough profits to BetterDrugs to recover their 2 billion dollar investment in developing CardioMas. Knowing this ahead of time, BetterDrugs would not find it in its best interest to spend the money towards the research and CardioMas would not have come about. With patents, according to the standard argument, BetterDrugs would have a government enforced monopoly on the drug and could therefore sell it for a price high enough to recover its costs and therefore it would have the right incentives to ultimately discover the drug. And if it makes lots of money, even better, right? This would supposedly motivate lots of people to go into research to discover new drugs and so on.

Let’s begin by briefly discussing what the patent system has actually done to the pharmaceutical industry, the industry that seems to most need and benefit from patents. A whopping 77% of new drugs approved by the FDA are not “new” in the sense that they make some significant improvement compared to an existing drug; they are what are referred to as “me-too” drugs. These “me-too” drugs are usually no better than drugs already on the market to treat the same condition, they simply allow competing drug manufacturers

to enter the market to treat a condition where other companies might be making a lot of money due to their patents or monopolistic position. For example, let's say that thanks to its patent protection BetterDrugs sells a daily dose of CardioMas for \$15 and is generating profits of two billion dollars per year. These large profits motivate CommieDrugs to develop CardioGood which seems to reduce heart attacks at a rate comparable to but still lower than CardioMas and also has more bad side effects. Since CardioGood is not as good as CardioMas in terms of quality, CommieDrugs sells CardioGood for only \$10 per daily dose thus helping it gain market share with those customers who find CardioMas too expensive. Now, someone might think that this is a good thing: a competing alternative has emerged giving people more choice, but this is still much worse than the ideal, which would be to allow any drug manufacturer to make the drug thus lowering its price to something near the costs of production, like generics, and not having to waste millions of dollars in research, advertising, trials, legal fees and more to create an inferior product as has been the case above and is the case for about 77% of newly approved drugs. As Michele Boldrin and David K. Levine mention in their book "Against Intellectual Monopoly":

"Given the institutional environment pharmaceutical companies are currently operating in, me-too drugs are the obvious profit maximizing tools, and there is nothing wrong with firms maximizing profits. They also increase the welfare of consumers, if ever so slightly, by offering more variety of choice and a bit lower prices. Again, they are an anemic and pathetic version of the market competition that would take place without patents, but competition they are. The ironic aspect of me-too drugs, obviously, is that they are very expensive because of patent protection, and this cost we have brought upon ourselves for no good reason." (Boldrin & Levine, p. 231)

So we can see how nearly three fourths of what the pharmaceutical sector does is redundant. Billions of dollars worth of wealth are consumed from the social order by researchers, advertisers, lawyers, sales reps, FDA bureaucrats, etc. for next to nothing. Another important statistic is that the top 30 pharmaceutical companies spend twice as much in promotion and advertising than they do on R&D. If there weren't so many "me-too" drugs to compete against each other and they could manufacture the same drugs one should expect this ratio to move more towards the R&D side.

What about the incentives to create drugs if there are no patents? Surely it is better to have expensive and redundant drugs than none or very few at all? one might conclude, yet the reality when one looks at the history of the pharmaceutical industry is that patents have not been as helpful at motivating innovation as one might imagine. During the period 1961-80, a total of 1,282 new medically useful chemical compounds were discovered around the world³². Of these, a total of 119, or 9.28% of the total, came from Italy, a country that did *not* have patents for drugs until 1978. After patents were introduced, during the years 1980-83, out of a worldwide total of 108 newly discovered useful compounds, 8 of them, or 7.5%, came from Italy. Boldrin and Levine continue:

"While we do not have data covering the most recent decades, the impression of the informed observer is that things have become worse, not better. Professors Scherer and Weisburst, in fact, took the pain of carefully studying the evolution of the Italian pharmaceutical industry after the adoption of patents. Here is the summary verdict, in Scherer's own words "Research by

Sandy Weisburst and mentored by me showed, for example, that Italy, with a vibrant generic drug industry, did not achieve any significant increase in the discovery of innovative drugs during the first decade after the Italian Supreme Court mandated the issue of pharmaceutical product patents.”³³

Boldrin and Levine also compile a list of 23 studies that looked at the impact of patents across various industries, times, and countries and concluded that “these studies find weak or no evidence that strengthening patent regimes increases innovation”³⁴. And:

“Older American readers may remember the Kefauver Committee of 1961, which investigated monopolistic practices in the pharmaceutical industry.³⁵ Among the many interesting things reported, the study showed that ten times as many basic drug inventions were made in countries without product patents as were made in countries with them. It also found that countries that did grant product patents had higher prices than those that did not — again something we seem to be well aware of.”³⁶

Having discussed some empirical evidence of the damage and ineffectiveness of patents, let us now discuss the damage of patents in a more theoretical way. One of the reasons why we so naively fall for the erroneous idea that patents are good for society is because we greatly overestimate the importance of the individual or company making the discovery while being unaware of how it is *the market process*, via its various mechanisms like prices and competition, which plays the key role in innovation. Competing firms or individuals, due to the fact that they are in business competing with each other, contain knowledge that has to be relatively similar. If one competitor has knowledge that leads to much more productivity, it would drive some competitors out of business, and it would also motivate competitors to copy/emulate the superior knowledge thus leading to a state where once again all competitors contain more or less the same knowledge of how to go about production. Since competitors compete at trying to offer similar products or services they are also looking at society for the same kinds of innovations which they can use to increase their production/quality. It is the market process and its mechanisms like the profit motive and competition which continuously fills minds with the necessary knowledge to be at the state where they will inevitably come up with new products/improvements/innovations. Which particular mind manages to stumble upon a new product or improvement has more to do with chance and circumstances than anything else. To illustrate this point Boldrin and Levine go over the history of key innovations like the steam engine, flight, radio and others and show how innovation is a collaborative and cumulative effort, where similar ideas are copied or shared until eventually enough progress has been accumulated towards a breakthrough so that it can come together in one lucky mind. A mind, which thanks to patents, then goes on to make monopoly profits by making it criminal to continue the very knowledge-sharing-process that enabled it to make the innovation while also frustrating other scientists/researchers whose contributions to the innovation might have been more substantial. For example, regarding flight, Sir George Cayley(1773-1857) had already written down and detailed the necessary specifications for the design of a successful airplane but lacked a lightweight power source which was readily available by 1902 when the Wright Brothers made their flight. Otto Lilienthal(1848-96) also came close before killing himself while experimenting with a hang glider. Wilbur Wright said of Lilienthal that “Of all the men who attacked the flying

problem in the 19th century, Otto Lilienthal was easily the most important³⁷ and that he was “one of the greatest contributors to the final success.”³⁸ After obtaining their patent they then used it to sue Glenn Curtiss who improved planes by using ailerons to control roll, an innovation which is still currently used by modern planes. Regarding radio, Nikola Tesla had filed several radio related patents in 1897 which were granted in 1900 and led to the rejection of Marconi’s application for radio patents by the US Patent Office which mentioned that:

“Many of the claims are not patentable over Tesla patent numbers 645,576 and 649,621, of record, the amendment to overcome said references as well as Marconi’s pretended ignorance of the nature of a “Tesla oscillator” being little short of absurd... the term “Tesla oscillator” has become a household word on both continents [Europe and North America].”³⁹

In 1901 when Marconi made a successful radio transmission across the Atlantic, an engineer then working for Tesla, told him, “Looks as if Marconi got the jump on you” to which Tesla replied, “Marconi is a good fellow. Let him continue. He is using seventeen of my patents.”⁴⁰ Yet to Tesla’s surprise the US Patent Office reversed course and in 1904 awarded Marconi the US patent for radio. Why did this happen? By this time Marconi was very wealthy and had the support of influential people like Thomas Edison and Andrew Carnegie so “The reasons for this have never been fully explained, but the powerful financial backing for Marconi in the United States suggests one possible explanation.”⁴¹

Patents inevitably turn cooperators into bitter rivals; give credit to one where many, or better said, the entire social order via the market process are involved; they slow down the market process by preventing further innovation by competitors whose ideas are based on patented ideas because they now have to pay large sums to patent holders; they remove competitive pressure from patent holders thus making them lazier and worth their time and money to go into the damaging business of suing¹ patent infringers thus retarding technological progress; and since the patent system is overseen by a monopolistic and bureaucratic government organization it is bound to grow more inefficient and chaotic and prone to manipulation by the better connected and special interests.

At a fundamental level there is matter and the knowledge needed to reorganize matter in order/life sustaining ways. Patents simply create paralysis in the market process which helps spread knowledge needed to build the social order. The information technology industry, although less regulated than the health care sector provides a good example of how patents begin to paralyze an industry. Prior to 1981 computer programs could not be patented and this helped spark the explosive growth of the computer industry. As Microsoft founder Bill Gates tells us:

¹ Sharon Levine, the associate executive director of the HMO Kaiser Permanente circa 2002 mentions that “Companies today have found that the return on investment for legal tactics is a lot higher than the return on investment for R&D,” and that “Consumers today are paying an inordinate premium under the guise of creating the stream of innovation in the future. But it’s actually funding lawyers.”

“if people had understood how patents would be granted when most of today’s ideas were invented, and had taken out patents, the industry would be at a complete standstill today. I feel certain that some large company will patent some obvious thing... If we assume this company has no need of any of our patents then they have a 17-year right to take as much of our profits as they want. The solution to this is patent exchanges with large companies and patenting as much as we can.”⁴²

So Gates clearly saw how patents would lead to paralysis. Unfortunately his solution at the time was not to argue for the abolishment of patents altogether(which I don’t blame him for), but to attempt to protect his company by patenting as many things as possible with which to threaten/protect itself from others in this new ecosystem of warring/litigating patent holders. Given the incentives, this is the strategy that works or is “naturally selected”, thus we have bigger and bigger patent holders fighting it out in order to progress, while at the same time making it harder and harder for the little guy or new competitor to innovate.

As much as I love Amazon.com, it has been widely and rightly criticized for its 1-Click patent which allows customers to simply click on a button to buy an item. I am certain that such a simple idea had either crossed the minds of many computer programmers (who for the most part until perhaps recently are not thinking about patenting every problem they solve) or was inevitably going to do so. As expected, when competing book seller Barnes and Noble tried to setup a similar payment option Amazon.com sued and prevented them from making buying a much easier experience for its customers. One has to ask, to what does Amazon.com owe the fact that it is the greatest online store around? To the fact that its employees and management are the hardest working and most innovative? Or to the fact that they stumbled upon certain patents like 1-Click that could be used to beat up potential competitors? It is obviously a combination of both among other things.

These days it seems like technology companies are in constant patent litigation. I recently went to an IT event where short lectures are offered to showcase the latest technologies. Being a computer programmer, I attend these sort of conferences from time to time, but what made the last one I attended stand out for me was the fact that several lectures on patents were offered which reflects the increasing role that the patent system plays in the IT world. Out of curiosity I attended one of these and as a sort of spoiler I brought up a few arguments against the entire patent system to the person giving the lecture(who was a patent lawyer with expertise in the IT sector). To my great surprise, the lecturer agreed with my remarks and also felt like the patenting system did more harm than good.

Innovating is a lot easier than people think. As prices or costs of production go down, that which was prohibitively expensive becomes possible which in turn makes other things possible and so on. The world is vastly more innovative today than it was 100 years ago not because we got any smarter because obviously our biology has not changed, but because the market process has made it easier to innovate. Some innovations revolutionize entire fields and make it easy for further innovations to come about. For example, how much easier was it for scientists to make biology-related innovations once the electron microscope took magnification from about

2,000 times to over two million? How much easier was it to invent all sorts of gadgets once electricity came about, or computers, or the Internet? The market process can be seen as a sort of ever-growing ladder taking humanity up an infinitely high tree whose fruits are innovations. For the most part all we have to do is *easily* pick them off the branches when the ladder gets us there. Very expensive endeavors that only seem profitable if granted patents can be seen as attempts to grab a fruit/innovation that is currently too high up in the tree and we are better off just waiting for the normal technological progress to get us there cheapening all related research/etc. instead of damaging the workings of the system/ladder in an attempt to make gains that really leave us worse off due to the damage made to the ladder/system by patents.

On October 5th 2011 much of the world mourned the death of Apple Inc. co-founder Steve Jobs, the media and politicians talked about how great a human being Steve was and how people like him and such “innovators” are what transform our world for the better. As hard working or driven to change the world as Steve was, such individual traits are incomparable to the environment and circumstances surrounding him which both incentivized and allowed his mind to be one of the minds that grabbed the computing-related fruits in that ever-growing ladder of innovation that the market process has created for us. It is not the “innovators” themselves which we should be praising, it is the market process. The discovery of electricity and radio could be seen as big fruits which were surrounded by many other related fruits in that ladder of innovation, so when people like Nikola Tesla stumbled upon them their minds were more than ready to connect further dots and thus quickly come up with more innovations. Steve Jobs and Bill Gates were in a similar situation when the computer revolution and its many fruits were about to be reached by the ladder. It was somewhat ironic to watch politicians praise Steve when the politicians themselves inadvertently create the regulations and bureaucracies that are destroying the market process thus ensuring that it becomes increasingly harder to be like Steve Jobs.

The damaging pro-patent ideology is also adding to tensions between patent enforcing nations and developing nations who are being coerced or erroneously persuaded to implement patents while also being sort of accused of “stealing our ideas without proper compensation”. This is rooted in the same fallacy of attributing innovation to those making the innovation as opposed to the market process. So called “developed” areas like North America, Europe, and Japan became developed because the market process managed to work well enough in those areas as to incentivize and coordinate minds in a way that so much knowledge was created, and this was done, in spite of patents, not because of them. Old people, being more likely to be found with cancers, does not mean that having cancers leads to old age, it means that natural selection has built us in a way that we can continue to live for a while in spite of the cancers. Too much government, just like too much cancer, eventually destroys the super-structure. The market process’ ability to organize the social order in ways that lead to what we would call progress is amazing. A little freedom goes a long way. Technological progress in the 20th century has been great, in spite of cancerous government bureaucracies, patents and other misguided government regulatory frameworks which we believe to be the creators or managers of social order while they are in fact its retardants or destroyers. Think about how truly unfair the following is: the

Chinese had the misfortune of having much of their 20th century destroyed by war and a truly communist economy which led to the deaths of tens of millions while the market process used millions of brains in the US to discover new ideas, and now that the Chinese increase their freedom and begin to have their social order be created by the market process, they have to pay royalties to the West just because the West was lucky enough to have enough freedom to have the market process make coming up with such discoveries as easy as picking low laying fruits from a tree. This seems pretty unfair to me. Developing nations like India and China should not feel like they are “stealing” ideas from the more developed nations. Besides, the way things are going with the US deteriorating and China growing and innovating, instead of Americans trying to use patents to force people in China to send more wealth over here, it will be the Chinese doing it to the US. In reality this example should not be seen as nations using patents to harm each other, it is really about individuals or companies who had the fortune of living in a social order that was shaped by the market process trying to use patents and government force to take wealth from those who had the misfortune of having lived in a social order that was not shaped by a market process that was as efficient.

The reason why ideas can be copied or “stolen” and not property or the means to acquire property (money), is because property is the real matter that is involved in our delicate cycles of production and consumption, matter/resources that *must be in the control of minds that have the necessary knowledge to coordinate production*. These are the very minds that helped create such wealth to begin with because they are the only ones with the necessary time and place specific knowledge with which to sustain and expand the social order. But the knowledge itself, can be copied without damaging the social order and in fact improves it by allowing others to use the best knowledge. And also, unlike matter/resources which are unique and finite and can only be controlled or put to use in a specific plan of action, knowledge can be copied at virtually no cost and can be employed by many without affecting others. So bottom line, we are better off abolishing patents.

More Spencer

In another great essay by Spencer titled “The Coming Slavery” Spencer clearly sees an ideological shift taking place in people’s thinking, a shift going from individual economic freedom to the belief that it is the government that can best manage everything and the expectation that it does so. It is important to realize that Herbert Spencer was living in 19th century England in the middle of the industrial revolution, which was transforming the world, taking its complexity to a new level unfamiliar to mankind. A complexity, which most people felt needed the government to manage and exploit to appease our egalitarian tendencies.

“They listen with eager faith to all builders of political air-castles...and every additional tax-supported appliance for their welfare raises hopes of further ones. Indeed the more numerous public instrumentalities become, the more is there generated in citizens the notion that everything is to be done for them, and nothing by them. **Each generation is made less familiar with the**

attainment of desired ends by individual actions or private combinations, and more familiar with the attainment of them by governmental agencies; until, eventually, governmental agencies come to be thought of as the only available agencies.”(emphasis mine)

Towards the end of his “Over-legislation” essay, Spencer talks about the key to England’s emergence as a world power. That key being the self-reliance of people as opposed to reliance on government.

“Let any one, after duly watching the rapid evolution going on in England, where men have been comparatively little helped by governments—or better still, after contemplating the unparalleled progress of the United States, which is peopled by self-made men, and the recent descendants of self-made men—let such an one, we say, go on to the Continent[rest of Europe], and consider the relatively slow advance which things are there making; and the still slower advance they would make but for English enterprise. Let him go to Holland and see that though the Dutch early showed themselves good mechanics, and have had abundant practice in hydraulics, Amsterdam has been without any due supply of water until now that works are being established by an English company.”

He continues describing how it is Englishmen and Americans who are remaking the world, and the main difference between them and the rest of the world, is their self-reliance, in other words, their cultural values which stress individual economic freedom as opposed to government management. Spencer knew it was this economic freedom/‘relative self-dependence’ and not something like race that set the Americans and the British apart from the rest of the world. Referring to England’s rise and the rest of Europe’s stagnation Spencer continues:

“Were not the inhabitants of the two, some centuries ago, much upon a par in point of enterprise? Were not the English even behind in their manufactures, in their colonization, in their commerce? Has not the immense relative change the English have undergone in this respect, been coincident with the great relative self-dependence they have been since habituated to?”

I love this next quote where he gets to the heart of mankind’s troubles, our countless laws and blind faith in government.

“The essential truth of the matter—that law had been doing immense harm, and that this prosperity resulted not from law but from the absence of law—is missed; and his faith in legislation in general, which should, by this experience, have been greatly shaken, seemingly remains as strong as ever.”

We are suckers for having government pass laws and force us to do things. In our ape-like tribal past perhaps we were just used to doing what the big bad ape wanted us to do for fear of retaliation or the simple coordination of simpler times, but that is not what creates our modern social order. Finally Spencer ends his “Over-legislation” essay by mentioning how our faith in government is sort of in our human nature.

“Indeed this faith in governments is in a certain sense organic; and can diminish only by being outgrown. . . . All superstitions die hard; and we fear that this belief in government-omnipotence will form no exception.”

Government finance basics

Let's briefly go over how the government finances itself.

Taxes

Easy, right? We pay taxes. When we do so, money goes from the private sector to the government¹, and then the money is traded back to the private sector for the wealth needed to feed, clothe and house our army of public sector employees and the companies that do business with the government. Very little is given back to society, or worse, we get regulation. It is much better to simply lose your wealth than to lose your wealth and also be told how to go about producing less than you would otherwise do. Wealth is not just mostly consumed; we always want to keep in mind the alternative and freer social order, in other words, as Bastiat would have reminded us, *that which is not visible*, the social order where instead of having government employees consume the wealth which has been taxed away, they actually remain integrated into profitable business plans which increase the size and quality of the economic pie.

Some readers might be familiar with "Tax Freedom Day" which happened to be April 30th for 2007. "Tax Freedom Day" is the day in which the private sector starts working to produce wealth for its own consumption as opposed to the government. The private sector works from January 1st to April 30th just to create enough wealth so that the public sector can munch on.

Taxes also discourage the creation or expansion of businesses. Imagine a business that operates for four years whose yearly bottom lines are as follows, first year 100 million in profit, second year 50 million loss, third year another 100 million profit, and fourth year a 45 million loss. Over the four years this business made a total profit of 200 million dollars and lost 95 million for a final balance sheet of a profit of \$105 million. Overall this is a good business right? Some years it has done well, others not, but overall it has increased the economic pie by \$105 million dollars in wealth. Perhaps on the bad years a new competitor came, but the business adapted, learned from the competition, and managed to update the productive order of its mini human ant-farm in a way that once again maintained an efficient and productive order, an order that when we take into account the four years, has managed to increase the economic pie by \$105 million in wealth. So all this is great, the business/'social order' is increasing the economic pie and helping humanity move into a more prosperous future. Now let's assume that we have a tax rate of 55% and see what effect this has on our business. The two years with 100 million profits are now turned into two years with 45 million dollar profits because the 55% tax rate confiscated 55 million dollars each year that the company made 100, for a total of 90 million in profits instead of the 200 million. The two years of losses still bring the 50 + 45 million dollar losses for a total of 95 million in losses. Now we have a total profit of 90 million and a total loss of 95 million leaving the balance sheet with a total loss of 5 million. Taxes have turned what is truly a productive enterprise, one that maintains

¹ When public sector employees pay taxes they are just returning some of the wealth that is taken from private sector.

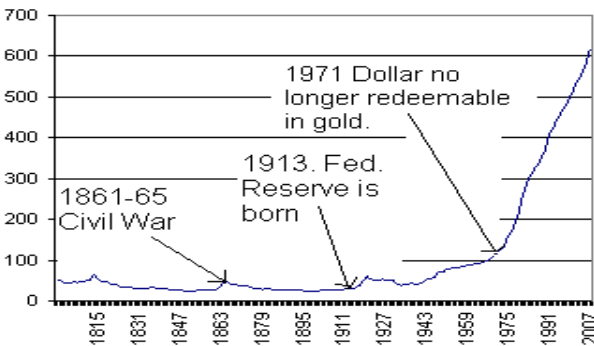
and gives an efficient order to a section of the human ant-farm, one that embodies good knowledge, into a bad idea, into an unprofitable idea that will have to be abandoned. What makes us think that the world revolves around our manmade concept of years anyways? Sometimes people make good decisions which lead to useful products and services and therefore pie-increasing profits, sometimes they fail to do so, resulting in losses. It is simply too risky to run a business when the government taxes much of your gains, yet you fully suffer the losses. Given these incentives, businesses are much more cautious than they would otherwise have been; only embarking on safer ideas that can make them money in spite of all the hurdles as opposed to all profitable ideas. Ultimately this is just another way in which the morphing into more productive and advanced states is greatly hampered and slowed down by government, once again slowing down the entire progress of mankind.

When we fall for taxation we often times think that we are better off when we take a little from people and then combine this amount to do something visible and great for society. We might think *“1 dollar in each American’s hand can’t build anything really great, but taxing that 1 dollar can lead to 150 million dollars which can be employed on a single great thing for society”*. We do not see that the one dollar that a taxpayer has in savings is combined with other people’s single dollars via banks and financial institutions to create equally large amounts that are then loaned out to private businesses which will order society in a way that produces more wealth than the original \$150 million, enough wealth to pay back the loan, *plus interest*. The taxed \$150 million in the hands of government will lead to the consumption of \$150 million worth of homes/cars/food/energy as bureaucrats and public sector employees live off the money while adding very little if at all to society, and much less to those who had to pay the taxes.

Inflation

The government, via the central bank, the Federal Reserve in the US, essentially creates money and then trades this money for the real wealth needed to feed its bureaucracies. This trade leaves the private sector with more money and less wealth, altering the ratio of money to wealth, therefore raising prices. The Federal Reserve does not just create money and gives it to the government, the process is not so simple but this is its ultimate outcome, more on this in a second.

1800-2007 Consumer Price Index



The graph above shows a historical trend of slightly declining prices under the

gold standard. The amount of gold entering the economy grew slower than the amount of wealth being produced so prices went down. The quick jump in the early 1860's was due to the North and South both resorting to the printing press to help finance the Civil War, as well as the war's destruction of wealth, both trends altering the ratio of money to wealth (more money/less wealth = higher price) leading to higher prices⁴³. In 1933 Franklin D. Roosevelt's administration confiscated the people's gold and put the American public on a purely government created paper money standard, but still redeemed dollars in gold to foreign governments. This allowed the government to spend more and pay for such spending via the printing press and we begin to see inflation pickup substantially after 1933. But eventually the dollars would go overseas as the American public traded them for imported goods, and then come back looking to be traded for gold causing problems for our benevolent ideologues as our nation's gold reserves were running out. In 1971 the Nixon administration stopped all payment in gold severing the link between gold and the dollar once and for all, allowing for more rapid inflation as the graph shows. Just in the week of Dec 1st – 8th 2008 the M2 money supply figure grew by 74 billion dollars⁴⁴.

Borrowing

The government sells IOUs (I owe you(s)) / 'Government debt'. Whether they are referred to as "Treasuries", government bonds or whatever, for our purposes they are fundamentally the same thing. For example, you buy a government issued IOU, in this case a \$1,000 Treasury bill, or T-Bill for short, for \$970 and in a year, when your T-Bill 'matures' you can redeem it for \$1,000. So you lent the government \$970 for a year and at the end of the year it gave you back \$1,000. You made \$30, which happens to be the 3% interest earned by your T-Bill. In this short example you lent the government money for 1 year but money can be loaned to government for longer periods during which the government periodically pays you interest on your loan. For example, you can purchase a 10 year treasury note which will pay you interest every 6 months while you wait for it to mature during the 10 years.

Since the United States and its dollar has been the most stable currency in recent history, many people in the world feel like lending it money is a good and safe investment. The United States government owes over 14.5 trillion dollars of this kind of debt. This is the national debt that one often hears about, which is over \$45,000 per man, woman, and child in the US, or \$90,000 per working adult. In 2010 the US government had to pay about 414 billion dollars just on the interest of the debt⁴⁵, sort of like making the minimum payment on your credit card.

When government borrows, instead of savings being used to fund private sector transformations of society which increase the economic pie and efficiency of our social order, the money and subsequent wealth that it can buy is given to the government where it is mostly consumed for a net loss and reduction of the economic pie. Since savings are being lent to the government instead of the private sector, there are fewer savings available for the private sector and this reflects itself in higher interest rates, which crowds out many profitable business ideas. And as already discussed, the high interest rates motivate our elected economists to artificially lowering interest rates leading to more economic damage via booms/busts.

Since the government does not create wealth it will have to pay it back by either increasing taxes, via inflation, or just borrow more to pay current bills while going further in debt, and creating more inflation as it pays the debt. And again, not only hurting us, but slowing down the very progress of mankind.

Fractional Reserve Banking

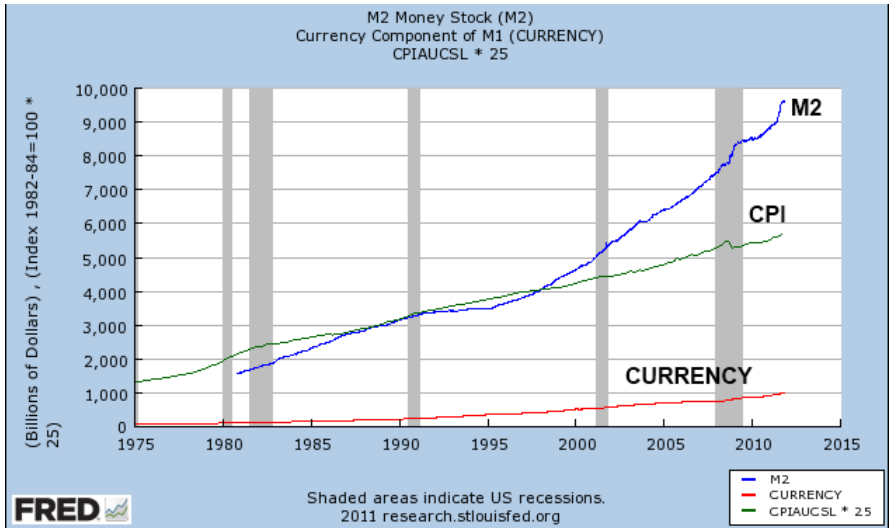
Modern banking systems operate in a way that is referred to as “fractional reserve banking”. In standard/traditional, or just plain common sense banking, when you deposit money in your savings account you expect 100% of your money to be in the bank, maybe not the same exact gold coins or \$20 bills, but the same in terms of wealth. Well, this is not the way modern banks work. If just 15% of Americans attempted to withdraw all their money in cash from their banks over a period of a few days or weeks most banks would fail bringing down the entire banking establishment. This occurs because in fractional reserve banking when one deposits money the bank keeps a *fraction*, say 10% as a *reserve*, and then loans out the rest at interest to make money. Traditional banking could be seen as being 100% reserve banking because the bank would keep 100% of your deposited money for reserve and not lend out any⁴⁶. Under fractional reserve banking, since about 90% of the money deposited is then loaned out, if just a small percentage of depositors suddenly demanded their money the banks would go bankrupt.

In fractional reserve banking we have two kinds of moneys, ‘high powered’ money which for *now* we will describe as consisting of currency(\$1/\$5/\$100/etc. bills and coins), and ‘checkbook money’ or ‘bank credit’ which can be seen as the electronic representation of the balance in your account in the bank. With this in mind let us look at the following sequence of steps to better understand how things work.

- 1) Jose deposits \$1,000 of cash in BankOne
- 2) BankOne creates \$1,000 of checkbook money for Jose, stores 10%(\$100 cash) for reserves, and loans out the remaining \$900 to Julio who uses the money to buy Gabriela’s scooter.
- 3) Gabriela deposits her \$900 in BankTwo.
- 4) BankTwo creates \$900 of checkbook money for Gabriela, stores 10%(\$90 cash) and loans out the remaining \$810 to Marc who uses the money to buy a painting from Jake
- 5) Jake deposits his \$810 in BankThree.
- 6) BankThree creates \$810 of checkbook money for Jake, stores 10%(\$81) and loans out the remaining \$729 to Gus who uses the money to buy a piano from Cathy.
- 7) Cathy deposits her \$729 in BankFour.
- 8) BankFour creates \$729 of checkbook money for Cathy, stores 10%(\$72.90) and loans out the remaining \$656.10 to Thomas who has the money in his pocket.

After step 8 this small section of the social order we are looking at went from having just Jose’s \$1,000 in cash to having the same amount of cash spread out in the reserves of the various banks and Thomas’ pocket *plus* \$3,439 in *checkbook* money which is what Jose, Gabriela, Jake, and Cathy have. The money supply has gone from just \$1,000 in cash to \$4,439 in a combination of cash and checkbook money/‘bank credit’/‘fiduciary media’. Most of the

money supply is composed of this latter non-cash money. Most of us deal very little with cash, relying more on checks, debit/credit cards, and so on.



The graph above shows the amount of currency as of October 2011 which stood at 985.6 billion dollars, it was 62 billion dollars in 1975 and has thus grown almost 16 fold during the last 36 years. It also shows the M2 money supply figure which includes currency *plus* the ‘checkbook money’/‘bank credit’ so that it gives a much more accurate account of the money supply. M2 at October 2011 was at 9.6 trillion dollars, at 1981 it was 1.6 trillion and has thus increased by 6 fold since. This sort of increase in the money supply has helped average prices as measured by the government’s own Consumer Price Index more than quadruple since 1975.

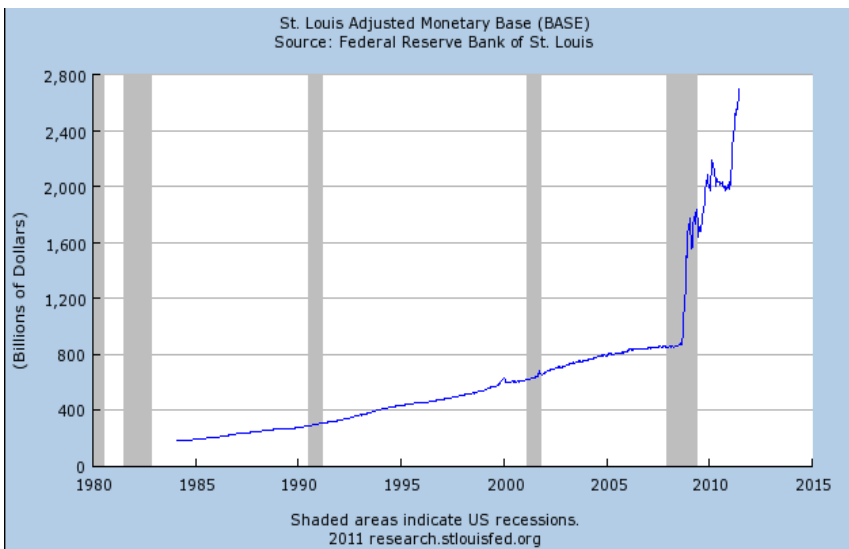
9) Jose goes to his bank(BankOne) and withdraws \$1,000.

How can Jose’s bank give him the full amount of his original deposit when it only kept \$100 in reserve and loaned out the other \$900? It can because banks on average will have thousands of depositors whose combined reserves will be enough to cover a certain average volume of cash withdrawals. For example, let’s assume that BankOne has 1,000 depositors who deposited \$1,000 in cash each for a total of one million in cash, if it keeps 10% of each deposit while loaning out the rest it would have kept \$100,000 and loaned out \$900,000. So with \$100,000 in cash reserves it can pay back Jose’s \$1,000 as well as another 99 people who like Jose might want all of their money immediately. What happens if 200 people want all their money, their \$200,000 in cash when the bank only has \$100,000 in reserves? The bank would go bankrupt, more on this later.

High powered money such as cash is referred to as ‘high powered’ because it is the type of money that the banks can hold as reserve and use to expand the creation of ‘checkbook money’. For example, in step 2 above BankOne was able to create \$1,000 in checkbook money by having reserves of \$100 in cash. Another type of high powered money is what I’ll refer to as RESERVES, which is essentially a special dollar account, which just like cash, banks can use to create checkbook money from. For example, if a bank has one million in RESERVES it can create 10 million in checkbook money or

‘bank credit’.

These special RESERVES type of accounts play a special role in the way banks and the central bank (the Federal Reserve) interact and how money is created. In the previous 9 steps we saw how an original \$1,000 in cash expands bank credit/‘checkbook money’ as it increases reserves in banks. Let us now see how the FED actually creates money and helps rise/lower interest rates. The FED creates money by buying stuff, for example, the FED might buy one million dollars worth of 10 year government bonds/treasuries from BankOne. How does the FED pay for this? Easy, it electronically increases the amount of RESERVES that BankOne has by one million dollars (or gives it one million in cash) which BankOne then uses to create 10 million dollars in ‘checkbook money’ to make loans. BankOne, in order to be able to loan these new 10 million, will offer them at a lower interest rate than what is the prevailing rate thus helping to lower interest rates throughout the economy. BankOne can also exchange RESERVES for cash from the Fed if it needs to pay cash to people withdrawing funds. So again, how does the FED create money? By *buying* things from banks and paying for them by increasing the amount of RESERVES/cash they have which they then use to expand the amount of credit/‘checkbook money’ thus making it more plentiful and thus cheaper which reflects itself in lower interest rates. The FED can *raise* interest rates and reduce the money supply/credit by doing the opposite, it can *sell* treasuries/gold/stuff to banks which they pay for with RESERVES or cash which reduces the amount of ‘high powered’ money thus reducing the amount of available credit/‘checkbook money’. So the more stuff the FED buys, the more RESERVES eventually enter the banking system allowing them to increase the amount of money/credit.



The graph above shows the “Monetary Base”, which is a measure of all “high powered money”, in other words, currency in circulation *plus* the RESERVES out there (the stuff that banks can create credit from). One can see that around Sept. 2008, when the markets tumbled and Lehman Brothers filed for bankruptcy, the FED went on a massive asset buying spree which resulted in a massive increase in RESERVES and thus an increase in the

“Monetary Base”. In just a few months the monetary base doubled and by now it has tripled. The reader might be thinking “if the monetary base has increased so much, why haven’t banks increased credit/money leading to much higher prices?”. Good question. As part of the plethora of financial legislation and gimmicks that the FED came up with during the crisis, the FED now pays interest to the banks for keeping much of these RESERVES at the FED instead of using them to create loans/credit. Anyways... enough about this, the bottom line is that these inflationary actions by the FED prevented credit and prices from falling further during the downturn of 2008-9 and have set the stage for a great increase in prices in the future.

Fractional reserve banking is inflationary because the central bank can easily increase the money supply by either increasing the reserves/cash of banks which they can then create checkbook money on top of, or it can also lower the reserve ratio, say from 10% to 5%, allowing banks to create more bank credit with a smaller amount of cash/reserves. Again, prior to 1971 the FED’s ability to expand the money supply was somewhat constrained by the need to redeem the money in gold to foreign governments, but as the graph a few pages ago shows once the dollar was no longer tied to gold its supply could be increased at any rate.

Besides easily allowing banks to inflate the money supply, fractional reserve banking can also lead to quick *contractions* in the money supply, in other words, deflation. As Prof. Reisman explains:

“When a bank fails, unless it is immediately taken over by another, still-solvent bank, its outstanding checking deposits lose the character of money and assume that of a security in default. That is, instead of being able to be spent, as the virtual equivalent of currency, they are reduced to the status of a claim to an uncertain sum of money to be paid at an unspecified time in the future, i.e., after the assets of the bank have been liquidated and the proceeds distributed to the various parties judged to have legitimate claims to them. Thus, what had been spendable as the equivalent of currency suddenly becomes no more spendable than any other security in default.

This change in the status of a bank's checking deposits constitutes a fully equivalent reduction in the quantity of money in the economic system. Thus, for example, if a bank were to fail with outstanding checking deposits of \$100 billion, say, and not be taken over immediately by another, still-solvent bank, the quantity of money in the economic system would also immediately fall by \$100 billion.

As a result of this fact, bank failures have the potential greatly to accelerate and deepen the descent into deflation and economic depression. For they represent much larger, more sudden reductions in the quantity of money and volume of spending in the economic system. And, just like lesser reductions, their effect, unless somehow checked or counteracted, is to launch a vicious circle of contraction and deflation. The period 1929–1933 provides the leading historical example.

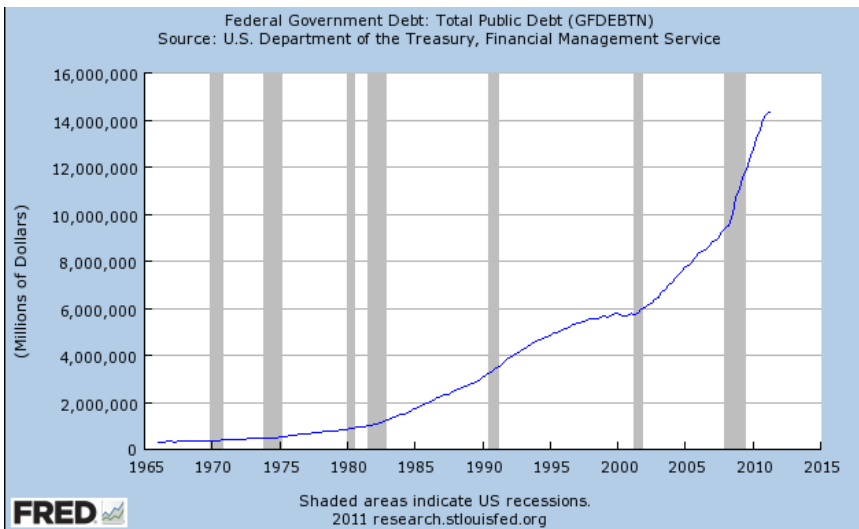
In 1929, the quantity of money in the United States was approximately \$26 billion and the gross national product (GNP/GDP) of the country, which provides an approximate measure of consumer spending, was \$103 billion. By 1933, following wave after wave of bank failures, the quantity of money had fallen to approximately \$19 billion and the GNP to less than \$56 billion. The failure of wage rates and prices to fall to anywhere near the same extent resulted in mass unemployment.” (Reisman, 2008)

One should note that under a 100% gold standard, the money supply can neither be quickly inflated to steal/redistribute wealth nor deflated which can also harm economics.

Unsustainable government debt

In this section we will discuss the unsustainable situation that the American economy finds itself in. Although I will use America for specifics, the problems discussed here are fundamentally the same that afflict Europe and the world economy at large.

Let's once again start from the basics. The American economy is in a cycle of production and consumption. It has a certain social order made up of many smaller social orders which produce and consume wealth to various degrees. Companies like Google, Wal-Mart, McDonalds and their employees are tremendously productive. From their production, first via corporate income taxes and then via the personal income taxes of their employees, the U.S. government gets some of the wealth which is consumed by its various bureaucracies like: the Army and its heroes who fight the evildoers, welfare recipients, seniors via Social Security and Medicare and so on. In the fiscal year of 2010 the U.S. government's budget deficit was about 1.5 trillion dollars, in other words, the U.S. government and everyone that is sustained by it, consumed 1.5 trillion dollars in wealth more than the amount of wealth that the government collected in taxes. Supposedly the Federal Government borrows about 40 cents for every dollar it spends. As the graph of the U.S. Federal Debt below shows, the rate at which the federal government is going further in debt, or again, the rate at which it is consuming more wealth than what it takes in via taxes, is increasing rapidly.



States and municipal governments are also going further in debt and so are individuals. Let's see, the Federal Government debt is over 15 trillion and rapidly increasing, states owe another 2 trillion and that too is rapidly increasing because they are not getting enough in taxes to pay for the generous benefits of unionized state employees; the American public on average carry nearly another trillion in college debt and another trillion in credit card debt.

What does all of this tell us? That the American social order in general is probably aligned in a way that is consuming more wealth than it is producing, something that is obviously unsustainable, and given how rapidly the American economy is going further in debt, this will lead to a major economic downturn/chaos sooner rather than later. Let's go over some hypothetical scenarios that will make understanding the issues clearer.

Let's assume that suddenly the government sends \$100,000 in cash each month to each person. Such a large and continuous increase of money would cause a rapid increase in prices. Under such conditions people would want to spend the money as soon as possible to purchase things before prices went up, if you didn't, by the time you did, your money would buy you less wealth. Next let's assume that the government, instead of sending people cash immediately, gives every American a one million dollar T-bill so that in a year from now every American will have an additional million dollars. You and plenty of investors out there know that a year from now prices will skyrocket as people's T-bills mature and they begin trading those millions for about the same amount of wealth that exists today. You expect prices will go up by a factor of say 100 so that your new million will only buy you the same amount of wealth you could buy today with \$10,000. With this in mind you sell to your economically ignorant neighbor your million dollar T-bill for \$200,000. He thinks he got a great deal, he thinks that a year from now he will be able to buy one million dollars worth of stuff *at today's prices*, but you know his one million will only buy him perhaps about \$10,000 worth of stuff while the \$200,000 he just gave you will get you \$200,000 worth of stuff now. What you just did here is to dump/sale your debt because you expected inflation to erode the value of the debt/IOUs. What happens as more people realize the same thing you did and they too sell/dump their debt and then trade their dollars for wealth? The debt loses value as more people sell it. Your neighbor might not find another sucker who will give him \$200,000 for the same T-bill you sold him, he might find someone who will buy it for \$100,000 because this individual does not expect prices to go up ten times. If the government wants to continue selling debt it will have to offer a higher interest rate to compensate for its loss of value due to inflation. But offering a higher interest rate just means that even more money will have to be created to service the debt at the higher interest rates.

When the government issues/sells debt, it is selling a promise to give you a certain amount of dollars in the future, if those dollars in the future buy little because inflation has eroded their value, people will want to sell the IOUs while the dollars they get in exchange for the IOUs still buy them more. This is just like if the government gave \$100,000 per month, the only difference here is that you have an intermediary, the IOUs, and a time dimension (the maturity of the IOUs). The government issuing debt, as already mentioned, does not play a major role in increasing prices, but when the central bank itself is the one that buys the government debt by printing new money, then yes, you are getting new money/inflation and rising prices. For example, from Dec 2008 to March 2010 the Fed bought 1.7 trillion of Treasuries and mortgage backed securities. On Oct 2010 it announced that it will buy 600 billion Treasuries in the following months, a plan called QE2¹, again, where

¹ QE2 stands for Quantitative Easing part 2. Basically create money to buy debt/stuff

does it get the money for these purchases? It just creates it. As government continues to issue debt and increase the money supply in various ways leading to rising prices, there comes a point when it becomes obvious to IOU/Treasury/bond holders that rising prices will lower the purchasing power of their debt and they begin to sell their debt. As they sell their debt it helps to further lower the value of the debt. A panic eventually sets in as debt holders realize that the longer they hold their debt the less it will buy. Those who sell first and get to use the money to purchase goods before prices go up do best compared to those who sell the IOUs last and get dollars that will buy them less due to the already inflated prices. If central banks keep buying more by inflating or creating the money themselves the prices eventually skyrocket, the debt as well as money becomes worthless, “the dollar collapses”.

The continued issuance of debt by the U.S., Japan, European countries and pretty much all governments is at the heart of the financial crisis. During the last nine years debt has grown from 80 trillion to 210 trillion, debt has grown at a rate of 12% per year while the economic pie has grown at about 4%.⁴⁷ The bottom line is that governments cannot use government debt to sustain a social order that is too messed up and consumes too much. There is just no getting around the fact that **there is only so much wealth now, and so much wealth in the future.**

Trade with China

When people produce and exchange, they ultimately want to produce and exchange wealth for wealth, money is the intermediary that allows us to achieve this, but ultimately it is the wealth we want to consume that we trade for. During the last century, thanks to the stability and relative prosperity of the US, the US dollar became the world currency and many economies inadvertently structured themselves with the aim of obtaining dollars, *not necessarily wealth*. The US has had the fortune of trading dollars for real wealth with the rest of the world. If we remember the section on inflation, the FED and US government can be seen as Alan creating the money to build his castle. Instead of building castles, our FED enables the US government to nourish or fund its bureaucracies, welfare, military/warfare, etc. The US economy can be seen as town A that received the newly created money first and got to trade it for real wealth with towns B and C, which can be seen as the rest of the world. The rest of the world has been inadvertently sending lots of wealth to the US and getting dollars that buy less and less. This is coming to an end. FED dollar and debt creation might be going up by say a yearly 15% while economic growth by 1-2% or less leading to more dollars per wealth and therefore higher prices. The rest of the world is already flooded with dollars and US government debt that are going down in value as the FED keeps creating them as it attempts to bail out or nourish bigger and bigger parts of our messed up social order. When the dollar drops by 5%, if you have, say a trillion in US treasuries or cash like China does, you just lost 50 billion dollars worth of wealth. As the rest of the world looks to dump their dollars, in other words, looks to trade them for something of higher value, the dollars come back to the US and our wealth goes to them before their saved dollars can buy them even less, leaving the US with more dollars and less wealth, and

potentially very rapidly rising prices¹ and the so-called potential “collapse of the dollar”. The tribal economorons who run the U.S. government will blame the usual boogeymen like the rich, lack of regulation, or China. When people are presented with this sort of scenario they often times say that China and the rest of the world needs a strong US economy because we are their main client for their huge export industries, this is true to a certain degree but it is something that will eventually end, let’s look at this in more depth.

Let’s say something about U.S./China trade which relates to the above and is of great importance. The Chinese sell wealth to Americans and get dollars in exchange which they then trade for their local currency (Yuan) so they can buy stuff domestically. Let’s assume that one dollar trades for 8 yuan. If you are a Chinese exporter and sell a PC for 200 dollars and then trade those dollars for yuan at 8 yuan per dollar you now have 1,600 yuan to buy stuff domestically and pay for employees and so on. If due to FED dollar creation the dollar weakens and now one dollar trades for 6 yuan, the 200 dollars you got for the laptop will only buy you 1,200 yuan causing a drop in revenue which will depress profits for all exporters and cause many to go out of business. If you are a Chinese exporter the more the US dollar weakens due to FED inflation the more you are harmed. On the other hand if you are a Chinese purchaser of US goods/companies/‘real estate’ you would benefit from the weaker dollar and stronger yuan.

The Chinese export sector is large, politically connected, and due to economic ignorance since the weakening of the dollar can cause loss of revenue and unemployment for exporters the Chinese Government/‘People’s Bank of China(PBC)’ prints the additional amount of yuan necessary to weaken the yuan so that even if the dollar is weakened due to FED inflation its relative strength compared to the yuan will be maintained so that exporter’s revenue in terms of yuan will not suffer. The Chinese Government maintains the yuan “pegged” to the dollar at a certain value, for example from 1997 to 2005 a dollar would buy you 8.27 yuan. So basically the FED inflates to fund massive US government expenditures(wars, welfare, bail outs of Banks/Wall Street/etc.), Chinese exporters get dollars in exchange for their stuff which they give to PBC in exchange for a set amount of yuan which the PBC will print if it needs to. The more the FED inflates, the more yuan the PBC has to print to prevent the dollar from weakening relative to the yuan, so US inflation causes the PBC to inflate its currency and credit leading to bubbles, higher prices at home to the detriment of Chinese savers, people in non-exporting industries, and the entire economy as a whole.

The Chinese government then takes the dollars its gets as exporters trade them for yuan and buys U.S. government debt. This helps the US government grow without necessarily printing even more money to sustain/nourish our increasingly misaligned social order. If the Chinese weren’t buying up all the new US debt, the US government would either have to make real drastic cuts, or it would nourish its growth by printing more money leading to higher prices, but again, the Chinese give us the dollars in exchange for an IOU which will buy less and less as the US Gov. keeps

¹ See short clip on this titled “Federal Reserve, Inflation, and the Dollar Crisis in 60 secs” <http://www.youtube.com/watch?v=9fv1DqJen28>

inflating and selling debt at increasing levels.

Ok, so... *This situation is unsustainable and increasingly detrimental to the Chinese and they will abandon it eventually.* On the one hand US inflation is eroding the value of their US government debt/cash and they are also having to create yuan inflation and rising prices at home in order to keep the dollar strong enough to keep their export sector ordered in a way that is 'hooked on' or geared towards producing for the unproductive, dollar-creating US economy. Eventually the pain of inflation at home coupled with the losses in US debt holdings will be greater than the pain of having their export industry finally reorganize itself so that it is no longer geared towards producing for a broke and unproductive US economy. When they abandon their currency peg, the yuan will rise, making imports and everything else cheaper for them as well as making it easier or more profitable for former exporters to produce for fellow productive Chinese. Maintaining the currency peg by purchasing US government debt ultimately helped feed and ship wealth to a destructive US government and bureaucracies (the US military being the biggest and most wealth-destroying entity mankind has yet to create). With no need to buy US debt more savings and wealth will be available for the Chinese leading to more investment and faster economic growth. The US government will be put in a position where it will really have to cut back... Anyways... enough along these lines. This is the price that *not just China*, but much of the world which has inadvertently shaped significant portions of their economies towards trading for dollars, have to eventually pay in order to get on the best path to global growth and prosperity. Today when there is economic turmoil you hear talk about a "flight to quality", which for many people it is a flight to the dollar and US debt/treasuries. This is what happens as they sell their stocks, they trade them for dollars, rising the value of the dollar compared to the stocks and other wealth. As long as enough people (which is still the case) sell stocks/wealth in exchange of dollars, then yes, this will momentarily increase the value of the dollar incentivizing others to go along. Even though the dollar continues to weaken, especially compared to gold, when such panics come it manages to momentarily strengthen. But the moment enough of the world turns away from dollars during panics things might go the other way around and this time a massive abandonment of dollars might take place... Anyways, this section needs to be cleaned up in future, but let me end it by saying a few things about the Chinese economy in general.

While bashing the US government and economy I don't want to seem to be praising the Chinese economy because it too is a mess compared to real economic freedom and at any moment can head towards more tyranny as opposed to freedom. Take for example China's "Ghost Cities"⁴⁸. The Chinese government has been building entire cities with perhaps as many as 64 million dwellings which are mostly ghost towns because such dwellings might be too far from where jobs might be and are also sold at prices that are too high, prices which perhaps the government felt would be high enough to recuperate the wealth needed for their production. But whoops, this central planning once again led to projects which are unprofitable, projects that consumed more wealth in terms of everything that the millions of people involved in building them consumed in terms of housing, energy, food, etc. than the wealth which they added in terms of homes. Yet as boneheaded and economically disastrous as building ghost towns might be, at the right price those dwellings will sell in a way that makes it profitable/sustainable for people

and businesses to move there. The cities are wealth, perhaps much less than what was consumed to create them but they are wealth nonetheless. Now compare this to the US's trillion dollar yearly national defense related expenses/consumption which only leads to pure consumption and the inadvertent destruction and suffering of millions in the Middle East. The Chinese who worked on those ghost towns, the architects, engineers, builders, etc. also gained experience at creating wealth. Compare those individuals to Americans who gained experience at moving explosives from place to place, at looking for and identifying people who hate the United States because their countries are occupied or bombed with drones, at driving around in Humvees with expensive men-killing equipment and looking for IEDs and at building the destructive man-killing equipment.

One last thing that I would like to bring up with respect to the relative decline of the West and rise of the East has to do with their cultures in general. For example, the Chinese save about 30% of their income compared to just about 2% for Americans. Their values and morals are simply more in tune with professional achievement and production than current American values. Although this does not mean that a sudden sharp turn to their older harder communist ways is not inevitable.

Having just discussed fractional reserve banking, government debt, and this particular trade relationship with China, we want to remind ourselves of the fact that all the economic chaos and imbalances we see are the result of central banking using a fiat/paper money to morph the social order in unsustainable and crises inducing ways. An international gold standard like we more or less had during the 19th century would have prevented the unsustainable growths in government we have seen during the last decades and would have prevented us the painful and dangerous restructuring that we are currently undergoing.

In defense of the rich and the psychology of taxation

Our hatred for the rich or those who “have too much” is one of the many characteristics which were vital for our survival in our tribal past but are detrimental in our modern market process coordinated world. Since their money can buy many houses and cars and save them from the toil of having to seemingly “earn it” with as much sweat and risk as the rest of us, this seems like a clear advantage for them and a disadvantage for us and our envy naturally kicks in to fix this inequality. But what we don't realize is that being rich in our tribal past and in today's capitalist world are the result of two totally different things. In our tribal past the more some had, the less there was for you. The bigger the nearby tribe got, the less animals and fruitful trees there would be for your clan, not much different than groups of monkeys fighting for territory today. Getting food/wealth involved lots of risk compared to today, the incentive to gang up on those that already had food and forcing them to share was a much more life sustaining strategy for those doing the threatening and for the larger social order of the group as a whole, and therefore, intuition for this sort of behavior is what natural selection selected. Bottom line, it was perfectly justified to be envious and “evil” towards the rich,

we owe our very existence to such evil acts, I have no regrets about anything my ancestors did to the rich in our tribal days. But in today's world taking from the rich is detrimental to everyone, especially the poor. In today's world, every market participant, especially the rich, play their part towards the transformation of useless matter into useful wealth which increases the economic pie for everyone.

This getting very rich by producing a lot of wealth is a first in mankind. For most of our evolution being rich was a momentary thing, perhaps you got lucky with the hunt, found a very fruitful tree or something along those lines, and the same thing could be said about being very poor, because you didn't have luck finding food and so on. The natural tribal state is for most human beings who applied themselves equally to be more or less equal in terms of material possessions, and therefore any large deviations from an average state of well-being were usually the result of bad/good luck. So in our past our riches/poverty were much more likely to be the source of luck than anything else. We seem to be especially egalitarian when it comes to demanding that that which has been acquired through luck be shared. If you acquired something through hard work or an activity involving risk then you have really earned it and sacrificed, or in a way traded some sweat and energy in order to get it. It is as if you have given up a bit of your life in order to obtain it. But if you acquire wealth through luck, if we demand that you share your wealth, it is not as if the risk and hard work you traded for the fruits of your labor have been taken away from you, because you got lucky and "didn't have to work for it", and via this logic our tribal ethical system justifies an even more stringent egalitarianism, especially for those who inherit wealth.

It is true that in today's world many people are lucky to be born into more prosperity than others, but in a properly functioning capitalist society wealth has less and less to do with luck and more and more to do with the increase in the productiveness of the entire human ant-farm and individual effort. But for most of us, whether it is instinctively or perhaps culturally, we still have a thing for referring to the rich as the "fortunate ones" and the poor as the "unfortunate ones", which is definitely true in some ways but we will not be dealing with this now.

Let's envision a town where there are many poor people who have little money and go hungry from time to time and that there is also a rich person, Larry, who has enough wealth to feed the entire town for a year. Our egalitarian instincts and usual economic ignorance would demand that Larry's wealth be given to the poor as we equalize/egalitarianize the wealth. Let's assume Larry is overcome with his desire to share and gladly redistributes his money throughout the year to the whole town. People now have less incentive to work, they have more parties, more sports, more leisure and ultimately less production. During the year the money Larry is giving to people is slowly traded for food and wealth with other towns/cities as goods come to Larry's town and are consumed. After the money has been spent, society inevitably goes back to whatever productive social structure it had and because of this it ends up producing the same amount of wealth as before and there is more or less the same amount of wealth as before and therefore the same amount of poverty. The only way a society can be wealthier is if its social order *is ordered in a way that produces more.*

Now let's assume that Larry is an evil greedy capitalist pig who is

always looking to make more money. In this case Larry would *lend* his money to people who had profitable ideas, ideas which would employ people and whose subsequent social order would produce more wealth than that which was loaned by Larry in order to make a profit and pay back Larry with interest. In short, the very same townspeople who previously got to simply consume Larry's wealth are now given an efficient productive order as they are employed by people whose ideas will lead to an economic-pie-increasing social order. Again, Larry's wealth/money/savings would be used to employ and feed the very same people who previously just got to embark in pure consumption, but this time their well-coordinated labor would add more wealth to the world than that which they consume for a net gain for society. Some of this increased amount of wealth would be kept by the people who borrowed from Larry as profit, and some for Larry as interest on his loan. In order for Larry, and the entrepreneurs who were able to create a more efficient social order and profit thanks to Larry's loans to keep making more money they have to once again reinvest their new wealth to repeat the process all over. As these entrepreneurs compete for labor in order to complete their projects they have to offer more and more of the additional wealth that has been produced in order lure workers to work in their respective projects. They have to compete for labor by offering more wealth and this is how the increased production inevitably finds its way into higher wages for workers.

Most of the money/wealth in control of the rich is loaned/invested to feed the continuous morphing of the human ant-farm that turns it into an increasingly more efficient matter to wealth transformation entity. Rich people eat about as much food as average people, a few more cars here and there and homes which maintain most of their value as opposed to something like food which becomes useless quickly. So the rich don't reduce/consume the economic pie that much more than average people. If we take all the wealth from rich people and divide it into the "less fortunate", an extra meal by each person will lead to a lot of consumption, while if the money remains with the rich it would not. Again, the money/wealth would still be available for the average person but in exchange for his pie-progress-increasing labor.

The only way you can get rich in a capitalist/free world is by producing and then trading a lot of wealth for money. Dr. Reisman tells us:

"Under laissez-faire capitalism, the accumulation of a great fortune is the mark of great contribution to general human well-being." (Reisman, 1996, p. 327)

The richer a person is, the more this person has offered to the world in exchange for all his money. Bill Gates is one of the world's richest men because the mini human ant-farm he helped shape and has successfully managed for several decades, Microsoft, has been one of the most productive in the world. I know, patents and other corporate evils tarnish this but let's ignore that for a second. Microsoft has added countless products and new technologies which have greatly benefited mankind. We know this is the case because millions of human beings traded their money for Microsoft's products. They traded with Microsoft as they moved into a more prosperous future.

Every brain in society uses its money to contribute to the social calculations which give our world a productive order. As consumers we all do our part as we decide which products/services/companies get our 'order

sustaining' money and which ones don't. As investors/entrepreneurs we get to use money to rearrange the social order in the most productive way known to us. A mind that has a lot of money has it because it has contributed to many socially beneficial calculations. Bill Gate's brain has led to thousands of socially valuable calculations which have led to even more calculations by thousands of Microsoft employees and the billions of people who use Microsoft's products to improve their productive capacity, ultimately leading to a bigger and more technologically advanced economic pie. Bill Gate's brain commands a lot of money thanks to such great decisions. Who better to command so much money/wealth than the brain that has made the right decisions to lead to such wealth? What would happen if we took Gate's billions and distributed them in 2 million dollar chunks to however many Americans were needed to redistribute all of his wealth? We would get a lot of people quitting their jobs spreading it amongst family who would then decrease their production and increase their consumption of wealth from the economic pie. An increase in consumption of large screen TVs, chips and salsa, cars, etc. Not the kinds of decisions which will bring a more technologically advanced world to us, which is exactly what Bill Gates does with his billions when he invests them to help bring about the latest and greatest gadgets.

Ideally we would want the amount of productive knowledge to be proportional to the means with which a brain can alter the social order. How do we know whether a brain or group of them has very socially valuable knowledge? Because the knowledge such brains contain has led to a successful transformation of the social order in a way that it has increased the economic pie and therefore it has made a lot of money in the process. A waitress can only interact with the world in a small limited way, she only knows how to control her body to add a certain amount of wealth via her table-waiting services. Joe's brain on the other hand, had knowledge which would add a tremendous amount of value to the economic pie and the world is better served if his brain controls the money which can give it a more efficient order. So it is important that we once again realize that the entire human ant-farm is one large supercomputer constantly and subconsciously figuring out how matter is being transformed into increasing quantities of 'human usable'/'social order expanding' wealth, and that each brain is an important contributor to such process, and that it is of crucial importance that each brain's ability to improve the social order is sort of proportionally matched by its ability to do so via the money it can command. The system that best matches the money and therefore means with which to shape the social order, is economic freedom, the market process.

Let us once again use Bill Gates as an example and assume that he has 50 billion in the bank as opposed to in stocks in order to simplify our discussion. If Bill Gates used all of his money to buy himself a harem of thousands of beautiful women who would bare him many children we might feel like there would be less women for the rest of us men. He would buy them many homes and the price of real estate would also go up making houses temporarily harder to afford for the rest of us. If this were the case, it might seem like some of us would be a little worse off, and if all rich people did the same thing then it might seem like the effects of their riches would significantly affect us for the worse. Such a large discrepancy of wealth in our tribal world would have yielded tremendous advantages to the rich individual and the rest would have quickly altered the situation thanks to their envy. To most people

the wealth of the rich is like a large kill that they have no use for except to show off to lure the females or get fat with while we struggle for the next meal and will rot if left sitting there, which is obviously far from the truth. It is the wealth which will still go towards the working public, increasing their wages as the wealth competes for their labor.

In today's world plenty of people would love to take Mr. Gates' money by force if they knew they could get away with it but fortunately they can't. They would not necessarily be doing it purely out of envy, but also out of compassion and our instinct to share the wealth when we have it, and throw some shame and a few other things into the mix. In today's modern society the moral attack against the rich comes from both directions, from the poor via envy and from rich people themselves via compassion for the poor, shame, and the genuine belief that sharing their wealth will make society better. This lies at the heart of why most like the idea of progressive taxation. If everyone were taxed at a rate of 10% the rich would pay more because they have more but this is not enough to appease our egalitarianism and economic ignorance, we want the rich to pay an even greater percentage. Actually, leaving the rich poorer than the average might still be acceptable to show those greedy bastards not to hoard their wealth. Our current income tax started in 1913. The top rate stood at a modest 7%, but by 1917 it was at 67%. From 1951 to 1963 the top US tax rate was at 91%, albeit for a small percentage of the very rich, for income above 2.6 million of today's dollars if we base our calculations on the year 1963. Due to our desire to ensure that there is a safety net, many rich people willingly vote for and are in favor of high taxes too. The rich don't just give their money away because that would be unfair to them since there could be many other rich people who keep their money, but by increasing taxes across the board then all the rich are forced into giving up much of their wealth and this appeases rich people's own egalitarianism. It would be unfair for me to share my millions if others get to keep theirs, so the egalitarian mindset works at all levels including the mindset of the rich. Sure there are many rich people out there that are scrooges, some might feel like they are superior to other human beings and enjoy the fact that "inferior" people are poorer but I think that these days such a mindset is declining.

Allowing people to become rich also motivates us to produce more. Duh! The rich get to afford the latest gadgets and comforts. If it weren't for the rich who would we sell those first expensive computers to? In a properly functioning capitalist society the real difference between the rich and average is just the time it takes for the average folks to afford the things the rich can enjoy. When a new invention comes into existence it is first very expensive and only affordable by the rich. However, this is a good thing. It means that there are people who can actually afford it and allow for those who manufacture such goodies to look for ways to bring their cost down so they can sell to a greater number of people. Thanks to this initial patronage by the rich, the 'social orders'/companies which manufacture such goods will be able to continuously incorporate the new knowledge that the market process is constantly discovering and spreading into their products, making them cheaper and therefore more affordable by the public, until eventually everyone can afford products which not even the rich could have afforded just a few years ago. This has been the story of everything, from air travel to the Internet, to medical technology and so on. As rich as Bill Gates might be, I too can fly anywhere in the world, perhaps not in as much comfort but the difference

won't be that substantial. My used car takes me places as well as his car. Whatever cool gadget he might be working on and is currently only available to him, I'll be able to afford in just a few years.

Today the space industry is in its infancy. Some millionaires have paid 20 million dollars to fund trips into outer space and thanks to their patronage and the continuous technological progress inherent in the market process there are now many companies looking to offer space travel for less than a million dollars. This will make it available to thousands of people, and as bits and pieces of the new knowledge and technology that is constantly popping up in society work their way into such projects, further enhancements will quickly bring the cost down further. I am convinced that if the US overcomes the coming socioeconomic collapse I will be able to float in space without taking a big financial hit within my lifetime.

How large corporations often times do great harm

Having already discussed our tribal zero-sum environment several times, we know that our instincts to be "evil", be easily susceptible to having an us vs. them mentality, cruel, etc. were the result of the environment we were naturally selected in and the cultural values needed to sustain the small groups which were the optimal strategy back in the day. If you weren't ready to be evil and take advantage of others you would die out, natural selection would keep/select the more "evil" folks and we are their descendants. So again, why are we so easily susceptible to evil acts? Because it was favored by natural selection given the environment. In today's environment we are all tremendously better off when we don't fight and peacefully trade instead.

What is the problem with corporations? When do corporations do society great harm? Corporations harm society when they use the government to either rip off the taxpayer by getting the government to buy their products or services as well as charge for above market prices and for things that are not even needed, and also when they use government legislative power to pass laws that restrict competition or harm competitors.

Just like the zero-sum environment in which we evolved selected for "evil" traits in human beings, our big-government world naturally selects for "evil" corporate behavior. Corporations that influence the government as previously mentioned, get more life and order-expanding money than companies that don't and because of this they get advantages that allow them to out compete the "nice companies" that aren't in bed with the government, and because of this what remains is big corporations that leech off government as government leeches off the private sector. Let's discuss this in more detail.

Before discussing how big corporations influence government to their benefit and to the detriment of society we must first understand why many businesses/professionals/'many of us' have a lot of pressure to do things we consider unethical or "evil". Take the auto repair business for example. It seems like every couple of years one sees some TV channel doing a special where they hide a camera in a car and bust half the mechanics they do a business with because they charge for work they never did or for doing unnecessary work/etc⁴⁹. If as a car mechanic you do not throw in a little lie here and there, overcharge for so and so, recommend more than what you

know is needed to make an extra buck, you will not make as much money as those who do. Your competitors, by making extra money thanks to their dishonesty, will be able to pay for more advertising, grow their business to more locations, even lower their rates, and we'll assume drive you to bankruptcy. As Spencer mentions, our system:

“encourages deception to such an extent that an assistant who cannot tell a falsehood with a good face is blamed; and often it gives the conscientious trader the choice between adopting the malpractices of his competitors, or greatly injuring his creditors by bankruptcy.”⁵⁰

So the point is that to a certain extent practices which we consider a little “evil” are naturally selected for, but at the same time practices to weed out such evil are also selected for.

The market process is very good at creating knowledge to “get the money”. In some ways it is the pursuit of money which coordinates our social order, not necessarily solving people’s problems, that is an inevitable consequence of making money, or maybe not, maybe it is the other way around. It is by solving society’s problems that we get money but it is money which appeals to our short-term self-interest. If knowledge to make money as efficiently as possible includes a little fraud here and there, then it will be naturally selected by the market process because it will enable those who use such knowledge to expand their order. Fortunately for us, this knowledge which includes a little fraud here and there is always living at the edge of getting busted and becoming inferior knowledge quickly. There is an arms race between knowledge which includes fraud and knowledge of how to prevent fraud and they are always fighting each other, if fraudulent ideas prosper, eventually they become enough of a nuisance to society, which is reflected in people increasing the money they spend to lure more brains into creating fraud detection knowledge. It is important that we realize that this knowledge arms race between fraud and ‘fraud detection’/avoidance is created and spreads via the market process. When crooks and scams come into existence and are successful, they spread via competition as people abandon inferior ways of committing fraud for the more profitable ones and their success breeds more “evil”/deceptive knowledge. So the social supercomputer is unfortunately very good and efficient at coming up with fraud, but luckily for us the market process can also be used to quickly discover and spread the most efficient ways of dealing with such frauds. This is unavoidable and good in some ways, if there is no crime/fraud then there is no knowledge to prevent it and should it arise all of a sudden the effects would be devastating. This would be like a world without disease and no need for an immune system. Sounds nice but with no immune system the second that a germ pops up it might wipe out the entire population. The very same pattern emerges in our modern societies with criminal/fraudulent knowledge forcing society to evolve criminal/fraud prevention knowledge and having this struggle keeps us on our toes. The bottom line is that such little evils are part of our world and all we can do is deal with them as best we can which means to let the market process deal with it. The auto mechanic example applies just as well to those hated car salesmen who in order to keep their jobs have to be great at convincing people to accept leases or cars that are bad deals for them.

The Internet provides plenty of anonymity which is exploited by scammers to commit fraud. Internet service/email providers go to great

lengths to develop ways to combat all sorts of online/email fraud. The Internet is also helping do the opposite of anonymity, it is helping identify and locate individuals, organizations, and more importantly, it is making it harder and harder for individuals and organizations *to hide from their reputations* and the harm that they cause. In the small villages of the past, everyone knew each other and this helped the fear of a bad reputation keep people from acting in socially detrimental ways. The Internet is helping do the same thing in a vastly more complicated world. Whenever you search for a business on, say maps.google.com, you will also find “customer reviews”. Suddenly the reputation of a business spreads easily and instantly compared to the slower “word of mouth” approach of the past. In the past, a single customer who was mistreated would have to go through a lot of expenses to get the word out about his experience, but now superior knowledge can spread effortlessly. Websites like “linkedin.com” where professionals list their colleagues and testify to their character/skills is becoming a very popular tool for employers looking for talent. As websites like “linkedin.com” become more popular, potential employees/job-hunters are asked if they have linkedin accounts, those that do, and have the friendship of seemingly well respected and productive people, have a great advantage over those who remain anonymous to employers. Employers wonder “Why risk hiring this guy who only has a couple of phone numbers to offer while we can hire this other guy who has a rich history of collaboration with many successful people?”. Websites like facebook.com are also having the same effect. Businesses find themselves with increasing pressure to join the Internet, but not just by having a website, but by being a part of an online network where people can post reviews and they can build a reputation. Eventually finding a business or employee or anyone to do a trade with that is not hooked up to some major online site that provides reviews/etc. will seem fishy to most people, especially as the cultural concept of “customer reviews” for just about everything further entrenches itself in the modern mindset.

Let’s move on to the corporate “evils”.

Imagine two large companies, large enough to make big campaign contributions and be close enough to the political process so that they can influence it. One of them, Nice Inc., is privately owned by Richard, a man who understands economics and knows that all government run enterprises/ideas are inefficient and better handled by the private sector, and therefore he abstains from trying to influence and sucker politicians into buying his products/services. Richard does not make big campaign contributions and never attends government sponsored meetings where the various bureaucrats and other business leaders talk about how *they* have a plan for making the world better. Richard knows that there should be no plan by politicians and other companies as to how they are going to create anything, only whatever naturally emerges from the desires of free market participants who should be free to keep their money. Richard understands the workings of the market process so well, that even if he feels like doing business with the government *seems* like a great benefit for society, he knows that the plans that have been foregone, or are *unseen*, in order to raise the necessary revenue to buy his product have a tremendously higher chance of leading to even more social prosperity than whatever he might do with the government regardless of how great the idea might seem to him. The other company, Economorons Inc., knows nothing about economics or how the market process works and

is only interested in the bottom line, making as big a profit as possible. The sales department of Economorons Inc. has smart salespeople who think it would be wonderful for society if the government provided their product to people who can't afford it. *"The government has all this money, poor people would benefit if the government bought our product and gave it to them for free"* the salesman figures. By selling their stuff to the government they are helping the poor, how nice. The salesman comes up with a great proposal for bureaucrats. The salesman is not concerned with all the things taxpayers could do if they were allowed to keep their money. That is *unseen*, and even if the salesman was concerned with this, the money has already been taxed and it will be spent somehow, if he doesn't get it, someone else will, and even if he feels like many people would love to have their money back and don't want it to be spent on the product he sells, the salesman has his egalitarian side too, he feels like it is perfectly ok to take from the taxpayer in order to provide something which might help the have-less. But this is all assuming that such thoughts enter the salesman's mind. If they do, and he does not dream up all sorts of ways with which to sell the product to elected ideologues, he achieves smaller sales revenue and is replaced by a salesman who brings in more revenue so inevitably one will come along that is much better at fabricating the necessary proposals to get bureaucrats to buy more of the company's products. So there is a selection process within the company at the level of the salesmen which selects for salesmen who are the best at coming up with the best way to get as much taxpayer money spent on the company. This process selects against any kind of morality or economic knowledge on the part of the salesmen and then leads to the entire company developing expertise on how to plunder the taxpayer via government spending/ideology. This inevitably leads to large profits for Economorons Inc. compared to Nice Inc. and thanks to the increased profits, Economorons Inc. can upgrade to better equipment and technology sooner than the less profitable Nice Inc., this and the additional profits eventually lead to a more competitive position for Economorons Inc., it can undersell Nice Inc. and eventually cause it to go out of business. So the selective process forces all companies to either pillage the government for all they can, or lose to the companies that do a better job of it and this is how "evil" is a naturally selected trait which inevitably grows and spreads throughout big corporations. The more money the government spends, the more will the "evil" grow around government as it feeds on taxpayer money and undersells and exterminates "good".

As long as government controls so much money, the knowledge and the 'social orders' which embody such knowledge in terms of large corporations and their hordes of lobbyists, salesmen, etc. will inevitably arise to bite as big a chunk as possible and those who do a better job will expand their tax-payer-money-guzzling 'social order'. It is important to realize that although there will be some obvious corruption, the previous example with Nice Inc. and Economorons Inc. did not necessarily involve any obvious corruption. Politicians are just easy targets for squandering money, dreaming up ways to fulfill their destiny of saving mankind by taking from the haves to build things for the have-less. They are not knowledgeable businessmen who risk their own money too. Businessmen build fortunes by having the time and place specific knowledge that only they can acquire and then using it to make good decisions, their knowledge and ability to make such good decisions is reflected by the money/profits they have earned, but politicians, no matter

how great at being businessmen they might be, lack both the local time and place specific knowledge as well as the incentives since they are using other people's money.

Politicians do not have to be blatantly evil or corrupt. If our problems were caused by these few obviously corrupt people things would not be nearly as bad as they are. But the problem is not just government corruption by a few really bad apples, the problem exists even if politicians have good intentions and distribute tax-payer money to companies they believe will do a good job. "Good" and well intentioned politicians will award contracts to "good" and honest people whom they know personally, fellow church members/whatever, but the problem is that the money and means with which to efficiently reorder the human ant-farm is not allocated by the market process, it is allocated by "good" people with good intentions which unfortunately leads to inferior results.

Therefore, the "evil" in large corporations is simply a part of our big government system. Companies are obviously not people, they don't think, are good, or evil, they are the emergent behavior that naturally arises from the interactions of many people. Some tend to see them as people because we associate so many things with them that we associate with people but they are obviously not people. The same applies to government. Sure a communist government and our own US government leads to actions which when compared to what a smoothly running capitalist society might be can be considered to be great evils, but again, government is not evil it is just the inevitable outgrowth of our economic ignorance.

From the perspective of the politicians and their blame for "evil", the mostly unconscious evil of politicians begins from the moment that the private sector is deprived of its funds/wealth via any of the previously mentioned methods(taxes, inflation, borrowing), i.e. from the moment law number 2 is violated ("*Do not encroach on other persons or their property*"). Whatever plan the politicians have, regardless of how great it might seem to them or the voting public itself, will lead to an inferior and less productive social order than those plans which had to be foregone by the many brains in the private sector who had their wealth taken from them. It matters little that the elected bureaucrats have good intentions, or that the people working on the projects are hardworking and honest, or even that whatever projects are to be embarked upon are open to competitive bidding from private sector contractors. What difference would it have made if "the bridge to nowhere" was slightly better or cheaper thanks to more competition amongst contractors? It was a bad decision from the start, because it originated from a few brains in government as opposed to the thousands/millions of brains whose collective knowledge via the market process is incomparably superior. If every taxpayer voluntarily gave his/her money to fund this government project as if the government had created a company and people paid the company to implement the government's original plan, then yes, the plan would have taken into account every alternative restructuring of society which would have occurred should the taxpayers had been free to keep their money. In this case the taxpayers would no longer be taxpayers. Being a taxpayer implies that if you don't come up with the money you will go to jail, in this case the people funding the project would now be investors, but where would you find the stupid investors needed to fund "the bridge to nowhere"?

So politicians create economic hardship and all the suffering and “evil” that goes with it, especially when we add social tensions like race related troubles, not because they are “evil”, it is just lack of an understanding of the market process. If on top of this unintended evil you add the inherent selfishness and blatant corruption which people are susceptible to, then things obviously get worse, but government corruption is a smaller evil compared to the evil that arises from government spending backed with even the greatest of intentions and scrutiny. This is just one of the many things that makes changing the system so hard.

Overcoming the fear of massive layoffs in the public sector, understanding the ‘creation of jobs’ and the benefits of immigration

Since the key to economic prosperity is to greatly reduce the size of government and thus privatize as much as possible (more on this later), this means that millions of public sector employees need to be laid off which causes many to fear for their livelihoods and that of the businesses that are sustained by their spending. These fears are misguided and once again the result of economic ignorance.

Let’s assume that we lay off 10 million public sector employees overnight and the taxpayers who were supporting them get to keep the money that was being taken from them via taxes to support the former bureaucrats. The taxpayers now have as much additional money to spend as that which the bureaucrats had spent themselves but the money will be spent differently. For example, instead of money being spent in restaurants catering to bureaucrats in Washington DC or a state capital, additional money might now be spent for more tennis lessons across the country. While there might be a *decrease* in employment in some areas, those where the bureaucrats spent their money, there will be an *increase* in employment in other areas, those areas where taxpayers spend the funds they now get to keep. At this point we can say that the economic pie remains the same size, the ability to consume a certain amount of wealth remains in the hands of taxpayers instead of being taxed away from them and given to the bureaucrats.¹

Let us now focus on how the former public sector employees will get jobs which is what worries those who do not understand economics. In the section titled “Companies/‘social orders’ as tools” in chapter 3 we discussed how companies can be seen as tools which people use to help them be more productive than they could otherwise be. Companies are *always* willing to hire as long as they can incorporate the new labor in a way that helps them increase sales by more than that which they have to pay the employee. I could employ everyone in the building I live on if they would work for me for pennies a day; with time I’m sure I could rent their services out or get them to do something far more valuable than the pennies I pay them and thus make a fortune. Fortunately there are many companies/people out there that can incorporate

¹ I also want to bring attention to the fact that to the degree that taxpayers save the additional funds they now get to keep this would help lower interest rates and allow the saved wealth to be used to start/expand business ideas that might have been unprofitable before, and again, increases in savings help bring technological advancements sooner.

the people who live in my building into far more productive plans than I can, and this allows those companies to offer more money for their labor than my pennies per day. The knowledge of how to best employ all of the people in my building, as well as the 10 million, is spread throughout many brains in society not only because more brains can hold more knowledge and thus specialize in more fields, but because those brains are the only ones that can capture the necessary time and place specific knowledge spread throughout society needed to properly create a profitable social order. So all that needs to happen is for the 10 million laid off people to simply sell/trade their labor for the best price they can get. They just need to 'look for work' and the jobs will be there, because, once again, working is just trading, and at the right price the trade will happen. That's it! Problem solved! Again, companies are tools, all people need to do is just use the best tools available to them, those that pay them or suit them best. Companies are motivated by potential profits as well as forced due to competition to incorporate all this newly available labor in the most productive way, those that don't will go out of business.

As the 10 million people begin working the economic pie begins to grow by whatever it is that they help produce. They are no longer consuming wealth taken from taxpayers, they are now first increasing the economic pie by whatever wealth their labor helps produce and then trading such wealth for whatever it is they want to consume. Since more wealth is being created, more wealth will then be traded for other kinds of wealth, motivating and providing the necessary wealth for other businesses to expand production and hire more people. If I can get 20 more coconuts per day, I have 20 more coconuts to trade for other things like *additional* blankets, which motivates the guy who makes blankets to make more as well as providing him the necessary wealth to sustain such production. He can hire some guy to make more blankets thus seemingly creating a job too, a job that can be paid for and sustained by my coconuts. Again, wealth is constantly being produced *and* consumed while more wealth is being created and so on in a never-ending cycle, which thanks profits, constantly increases the total amount of wealth.

If the 10 million people rush to get jobs as soon as possible businesses will hire them but it will take a while for businesses to integrate the new labor in the most productive ways, and because of this, less money/wealth will be offered in exchange for their labor, they might have lower than usual wages. Just like I wrote a few sentences ago, I could hire everyone in my building and pay them pennies and "with time" I could employ them in more productive ways; the same applies to a sudden rush to hire people as society discovers the best ways to integrate them into profitable plans. Such "discovery" takes some time, but the less regulations and interferences with the private we have the sooner the discovery will be made.

Let's discuss some hypothetical scenarios about employment to get a better understanding as well as see the benefits of free or open immigration.

If the 10 million people who are laid off all go to a single state, say North Dakota which has a population of about 700,000 people, then they would have a hard time finding jobs that can pay well, in other words, they will have a hard time finding tools/companies which they can use to produce lots of wealth leading to higher incomes. The social orders that contain the necessary knowledge needed to incorporate 10 million people in profitable plans would simply be lacking.

If we assume that the 10 million people are sort of stuck in North Dakota(ND), then companies/tools/brains *outside* of ND will want to create factories there, they will want to extend their productive order to reach ND so that the people there can make use of the companies' productive structures to create more wealth, this is like bringing the tools to the people in ND in order to raise their productivity. This is what happens when countries open up their economies to foreign investment. When a poor nation allows foreign investment, foreign companies have an incentive to extend their productive order into those countries by bringing machinery, building factories or whatever is necessary so that the people there are more productive, helping the foreign company produce more, sell more and make more money. Once again, competition between foreign companies/employers ensures that most of the additional wealth goes to the employees so there should be no economically ignorant fears of "exploitation"/etc. In the advanced countries everyone is already employed using the latest and greatest technologies/tools so the people's labor is already as productive as possible. Poor countries simply provide an opportunity for the superior technology and social order of the more advanced nations to greatly increase productivity.

Ok, so back to the 10 million stuck on ND. So companies would have an incentive to expand into ND but this might be a slow process. It is much better if the people can simply go to wherever the companies/tools/orders that pay them the most are located, this way they can quickly be as productive as possible. More often than not it is more productive for companies to expand in their current locations than to go very far. Opening up a factory next to an existing factory means that your experts, management, and distribution channels are already in place. We see this sort of thing when entire cities inadvertently grow in ways that are dominated by one or a few industries, places that come to mind are Detroit and auto-manufacturing as well as the area known as Silicon Valley in California where so many high-tech companies reside. Fortunately, in reality the 10 million laid off public sector employees will be pretty well spread out over the country so it will be easy for them to find many companies to join/use to increase their production. Since Washington D.C. has a very large concentration of utterly useless social orders and companies which are not really productive, many people there will find more productive employment elsewhere and thus move out. Something similar can be said for many state capitals where the government is the major employer.

Perhaps the best example of a quick and massive layoff of government employees and the instantaneous ability of the private sector to employ them and quickly bring about a *massive* increase in prosperity can be found in the years following the end of WWII when millions of soldiers and military personnel went from being tremendous net destroyers/consumers of wealth to being creators of wealth. Although the mainstream "Keynesian" economics establishment at the time fell for all the economically ignorant fears about there not being enough jobs, etc. the American economy was able to employ them all while maintaining a low unemployment rate and greatly grow the economic pie and pay off the large government debt used to help finance the war. As Prof. Armentano nicely summaries in an article:

"The period 1945-1950 is (almost) a scientific test of the Keynesian hypothesis. Despite repeated warnings by most mainstream economists that cutting government spending at the conclusion of WW 2 would bring back

the Great Depression, the Congress dramatically lowered government spending between 1945 and 1950. Federal government expenditures fell from \$106.9 billion in 1945 to \$44.8 billion in 1950. Defense spending took the biggest hit falling from \$93.7 billion in 1945 to just 24.2 billion in 1950. In just 5 years, government spending (as a % of GDP) fell from 45% in 1945 to just 15% in 1950 and the annual federal budget deficit fell from \$53.7 billion in 1945 to only \$1.3 billion in 1950.

But what happened to overall economic output and unemployment? Despite the massive economic transitions from wartime to domestic production, GDP actually increased (confounding all of the Keynesians) from \$223 billion in 1945 to \$244.2 billion in 1947 and then to \$293.8 billion by 1950. And despite millions of returning servicemen and women, the unemployment rate averaged a very low 4.5% between 1945 and 1950. Economic disaster? Hardly.”⁵¹

With this in mind we can see why free or open immigration provides a great boost to productivity. Just like Americans greatly benefit from the fact that they can travel to wherever the most productive companies/tools are, so would people all over the world if they too could travel and work anywhere. In the year 2005 the average income of someone in the US who was 25 years old or older was about \$32,000. This tells us that on average each worker helped produce at least \$32,000 worth of wealth. The average person in Morocco might have produced about \$3,000 worth of wealth. By allowing a person from Morocco to work in the US this person is now using a more advanced tool so his productivity will be a lot higher, not as much as the average American at first because initially he might know little to no English, but the bottom line is that his productivity would go up tremendously. The United States has a better infrastructure, companies/orders that use the most advanced technologies/tools, a labor force that has years of experience at using such technologies, a legal framework that is much more business friendly than the one in Morocco; these and many other things make the US social order, as a whole, a matter-to-wealth transformation entity that can produce much more wealth with a given person than what the social order in Morocco can. So again, the same individual, working in the US will be much more productive than if he worked in Morocco.

When one looks at companies and employment keeping our eyes on wealth production and using the tool analogy that looks at companies or social orders as tools people use to increase their production, one can see that each immigrant or person simply increases the economic pie by greater and greater amounts of wealth thanks to the increasingly productive order mankind has achieved. People do not compete for a limited supply of jobs causing some to gain jobs at the expense of others. People simply trade/use companies/tools to produce wealth period. Yes, if a million people move to your town and all of them want to go into the lettuce-picking business, then yes, there isn't enough wealth being traded for those lettuces to sustain a high wage for all of them, but such high concentrations of labor focused on small markets would be temporary because all of those workers would quickly be lured away by companies that can incorporate their labor in more productive ways. The fears of immigrants “taking away jobs” is simply a myth/fallacy grounded on economic ignorance. More people/immigrants simply means more wealth, more people to buy your stuff/services as well; more prosperity period! Once

again this is something that reality easily verifies, we have nearly 7 billion people alive and the amount of wealth that each person on average can produce is greater and greater. China's great population is one of the main reasons why it will soon overtake the US as the most productive economy in the world. China has over 500 million working age adults with millions moving from low productivity areas, like those far-away farms which are worked on by hand and centuries old tools, to higher productivity areas like modern cities, thus greatly increasing their productivity while the US only has about 150 million already using the latest methods. As the Chinese social order on average becomes more productive thanks to the continued increase in technology/etc., the productivity of each worker goes up and is multiplied by 500 million while increases in the productivity of the American social order can only be multiplied by 150 million.

Overcoming the fear of labor-saving machines and automation

Whenever new machines or technologies replace workers, some of the public and their elected politicians—who so dutifully reflect the public's economic ignorance and fears—feel like the machines are causing unemployment and thus some kind of detriment to society. The last time this fallacy reappeared at the national stage was when the son of famous African American political figure Jesse Jackson, Rep. Jesse Jackson Jr., gave a “passionate” speech before congress where he said that:

“A few short weeks ago, I came to the House floor after having purchased an iPad, and I said that I happen to believe, Mr. Speaker, that at some point in time this new device, which is now probably responsible for eliminating thousands of American jobs—now Borders is closing stores, because why do you need to go to Borders anymore? Why do you need to go to Barnes & Noble? Buy an iPad and download your book, download your newspaper, download your magazine... Well, what becomes of publishing companies and publishing company jobs? What becomes of bookstores and librarians and all of the jobs associated with paper? Well, in the not-too-distant future, such jobs simply will not exist.”⁵²

Let's discuss why machines and any technology that replaces labor is a blessing for mankind.

We know that all production of wealth involves the consumption of wealth. Generally speaking, using machines leads to less consumption/costs and a greater amount of production than using people, if this weren't the case, it would not be profitable to employ the machines instead of people. Today, thanks to machines and automation, only 2% of the population is employed in the agricultural sector compared to about 70-80% in 1870. Two percent of the population consumes a lot less wealth than 70-80%, and because of this, today society trades a much smaller amount of wealth for all the food that it needs compared to in 1870. In 1870 much of people's income went to pay for food in order to sustain that 70-80% of people working to produce it. Today a small percentage of our income goes to pay for food because only 2% of the population needs to be sustained to produce it. The more machines and automation we use in the production of any item, say item X, the less wealth needs to be traded for each unit of item X because machines cost less than people, because unlike people, machines don't need or want to consume

homes, cars, medical services, etc. Machines are like legal slaves who don't mind working themselves to death to increase the economic pie for us. The wealth that would have otherwise been consumed by all the people producing item X is now spent on, or consumed by, people working to increase the economic pie in other areas. Before machines and automation, lots of wealth had to be consumed by people creating a small amount of item X, thanks to machines and automation, society gets a greater amount of item X at little cost, *plus an increase in the amount of anything else people choose to spend their additional savings.* The economic pie has been increased. **There will now be a greater amount of wealth to compete for people's labor thus raising their wages and standard of living.** This has been the story of mankind's progress, especially since the industrial revolution. Thanks to machines and automation, less people work in areas that can be automated, freeing up labor *and the needed wealth to sustain such labor*, to further increase the economic pie in other areas. In Jackson Jr.'s iPad example, thanks to iPads and electronic reading devices, the quantity of readable material has been greatly increased with little cost/consumption. The money/wealth that people save which used to sustain the bookstores, librarians, book publishers, and paper manufacturers will now be spent or consumed by other people producing "other stuff". Society will be wealthier because it will have more readable content *and* "other stuff".

What about the people who lose their jobs because of machines? This is too bad for them momentarily. They can take comfort in the fact that everything else around them gets more affordable as machines and automation spread to other areas of the economy. Machines used for the automation of things do not just appear overnight; initially machines and the automation of stuff will be expensive, making laborers a competitive option, as the machines get cheaper and better, laborers will have to compete by working for less, but this is a signal to such laborers that their skills are getting old and they should begin looking for higher paying opportunities and training themselves accordingly. If we had some government program that protected laborers from the introduction of labor-saving machines we would still have blacksmiths, candle makers, wagon makers and all sorts of people consuming wealth to produce things we would not want to use given the better alternatives, and at the same time preventing that same wealth they consume from going to sustain more modern and desirable products thus retarding mankind's progress.

The nonsense of mainstream economists

John Maynard Keynes: The grandfather of our mainstream economorons

John Maynard Keynes was the most important economoron of the 20th century. Keynes was a British economist whose book "The General Theory of Employment, Interest and Money" published in 1936 became the intellectual foundation upon which our mainstream economics establishment stands on. Keynesian economics can be summarized very briefly, Henry Hazlitt accomplishes this in a few sentences when he tells us, "John Maynard Keynes was, basically, an inflationist."... "In other words, the Keynesian solution to every slow-down in business or rise in unemployment was still another dose of inflation." (Hazlitt, p. 208) So essentially the Keynesian solution to problems is to get the government to print some money and

provide a “stimulus” which will “jump-start” things and get the “economy moving” and all the usual nonsense that one hears the economically ignorant establishment talking about. Again, getting the economy moving is not the solution, you have to get it moving in a cycle that produces more wealth than it consumes, but Keynes could not see that far. I am sure that he could if he really wanted to, all he had to do was honestly discuss things with his friend F.A. Hayek, but Hayek had already torn to pieces some of his earlier published nonsense.

In many ways Keynes seemed like a pompous arrogant fool. A good example of someone who is born into British high status and believed that his supposedly superior blood inevitably leads to greatness in all his endeavors⁵³. As wrong as this might be, the confidence that one gets from believing this lie can take you places, especially when your economic nonsense is lightly peppered with always-seemingly-impressive mathematicobabble and allows and encourages ignorant politicians looking to save the day to do exactly what they want: attempt to use government to fix or improve the economy. Hayek knew Keynes very well and said this of him:

“There were of course extraordinary gaps in his knowledge. His knowledge was aesthetically guided, with the result that he was completely ignorant of nineteenth-century economic history. Totally ignorant. He just disliked it.

I had to tell him every day, not so much about economic history, but even about earlier English economists...if I had introduced him to English inflationists of the nineteenth century, that might have put him off.

...if you take his time of study, I don't think he spent more than a year learning economics... I like to say, I liked Keynes and in many ways admired him, but do not think he was a good economist” (Hayek F. , 1994, pp. 92-3)

Just like Marx's communist ideas appealed to the Russian and Chinese ideologues and public for various reasons, Keynes' ideas appealed to those who believed that the world needed the big-ape-government to steer it in the right direction and prevent what would surely be great injustices, which was pretty much everyone in the Western world as well. The Anglo-Saxon world might have had too strong a legal tradition of respect for private property and individual rights, so full-blown revolutionary Communism at the point of a gun might not have cut it, but Socialism via inflation inadvertently evolved to be the preferred tool. This is what the ghost of Keynes essentially left us with, with well intentioned ‘government control’/Socialism, not at the direct point of a gun, but by essentially creating the necessary money with which to allow the government to rearrange the social order nonetheless. In the foreword to the German/Nazi version of his famous book he wrote that:

“The theory of aggregated production, which is the point of the following book, nevertheless can be much easier adapted to the conditions of a totalitarian state [*eines totalen Staates*] than the theory of production and distribution of a given production put forth under conditions of free competition and a large degree of laissez-faire...Although I have, after all, worked it out with a view to the conditions prevailing in the Anglo-Saxon countries where a large degree of laissez-faire still prevails, nevertheless it remains applicable to situations in which state management is more pronounced.”⁵⁴

Of course, if you erroneously believe that the order that emerges from free individuals is prone to bouts of instability and believe that a central planning authority via a central bank and monopoly powers over the finance/banking sector can correct such problems, then a totalitarian state becomes a necessity. Also notice how by saying that “a large degree of laissez-faire still prevails” he is implying that the trend is towards ending such freedom and the adoption more centralized planning.

Next, a famous quote by Keynes:

“The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas...But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil.”⁵⁵

Yes. Keynes himself is one of those defunct economists. He is also famously known for having said, “In the long run we are all dead.” The problem is that shortsighted defunct economists’ “long run” is our present.

Let’s go over a few brief quotes by Keynes to see how his fallacies still haunt us today:

“...whenever you save five shillings, you put a man out of work for a day. Your saving that five shillings adds to unemployment to the extent of one man for one day—and so in proportion. On the other hand, whenever you buy goods you increase employment...For if you buy goods, someone will have to make them. And if you do not buy goods, the shops will not clear their stocks, they will not give repeat orders, and some one will be thrown out of work.

Therefore, oh patriotic housewives, sally out to-morrow early into the streets and go to the wonderful sales which are everywhere advertised. You will do yourselves good...And have the added joy that you are increasing employment, adding to the wealth of the country because you are setting on foot useful activities...

...Surely all this is the most obvious common sense. For take the extreme case. Suppose we were to stop spending our incomes altogether, and were to save the lot. Why, every one would be out of work. And before long we should have no incomes to spend.” (Keynes, 1963, pp. 152-3)

Wow! First of all, when most people save their money they invest it, which for the general case here we’ll just assume that it is loaned out at interest. The money still gets spent! As Henry Hazlitt stresses this point in his classic “Economics in One Lesson”, *“Saving,” in short, in the modern world, is only another form of spending. The usual difference is that the money is turned over to someone else to spend on means to increase production.*” (Hazlitt, 1988, p. 164) That’s right. When you save and lend your money, the borrowers still spend it but they have to spend

it in a way that increases the economic pie enough for them to not only pay back the loan, but to also pay the interest on it, which means that they are increasing the economic pie. This is how the world progresses, by saving and investing.

With respect to his “extreme case” where people save all their income and don’t spend. Well, spending is the same thing as trading your money/wealth. If people do not want to trade we would have a complete breakdown of the division of labor and the social order would collapse. Why bring up such a foolish scenario that would never be in anyone’s best interest to attempt? Who does not want to trade for the food they need to survive?

Keynes continues with more nonsense:

“...activity of one kind or another is the only possible means of making the wheels of economic progress and of the production of wealth go round again.

Nationally, too, I would like to see schemes of greatness and magnificence designed and carried through. I read a few days ago of a proposal to drive a great new road...That is the right sort of notion. But I should like to see something bigger still. For example, why not pull down the whole of South London from Westminster to Greenwich, and make a good job of it...Would that employ men? Why, of course it would! Is it better that the men should stand idle and miserable, drawing the dole? Of course it is not.” (Keynes, 1963, pp. 153-4)

Again, more of the same fallacy, “activity of one kind or another.” This is nonsense, one cannot just act, one has to produce more than one consumes. As people produce they also consume, if a thousand men drive to work every day and wear out 1,000 cars in order to produce 100 cars then they are making things worse!

Next, he gives the green light for the usual massive public works projects that governments are prone to fall for. Politicians/economors can envision some great new road bringing great benefits, but they do not see all the wealth that is consumed in terms of the stuff that society really needs like cars, homes, food, medical services, etc., as this road is being built by those who build it. Then he wants to “pull down”, in other words, demolish wealth, in order to put people to work and rebuild “South London from Westminster to Greenwich.” More on the economic fallacies related to Keynes as we discuss other famous economors next.

Bernanke’s economic nonsense and “stimulus” packages

The economic fallacies which were ‘re-popularized’ by Keynes are still dominant, let’s see how they have influenced our current head of the Federal Reserve Ben Bernanke. Let’s begin with this absurdity Bernanke mentioned:

“...the U.S. government has a technology, called a printing press (or, today, its electronic equivalent), that allows it to produce as many U.S. dollars as it wishes at essentially no cost. By increasing the number of U.S. dollars in circulation, or even by credibly threatening to do so, the U.S. government can also reduce the value of a dollar in terms of goods and services, which is equivalent to raising the prices in dollars of those goods and services. We conclude that, under a paper-money system, a determined government can always generate higher spending and hence positive inflation.”⁵⁶

He is right, a determined government can always print money with which to rob productive citizens of their wealth and leave them with higher prices. And “positive inflation”? That’s like saying “delightful headache”. The excerpt came from a speech titled “Deflation: Making Sure “It” Doesn’t Happen Here”. In a prospering economy under a gold standard, we should expect to see a slight downward trend in prices because the productivity tends to increase faster than the money supply (the rate at which new gold mined). Lower prices are a sign of progress. Your savings last you longer, etc. The speech should have been titled *“Progress: We the government will give you paper and you give us this progress so we can feed a bigger bureaucracy while you stay running in place or falling behind with higher prices.”* Ok, reworked title was too long but one gets the point. Our misguided economic policies do not just harm us via the inflation we can clearly see on a graph, even if prices would remain stable, it would still be robbing us of progress because prices would most likely be going down, and inflation would rob us of this progress.

In 2008 Bernanke and the Federal Reserve implemented a “stimulus package” where they essentially created 150 billion dollars which were used to send checks of \$300 or \$600 to people. People get money which seems awesome from their perspective; businesses get more money spent on their products/services so they can make more money and expand wealth production and also hire more people thus increasing employment. This idea also appeals to central bankers and bureaucrats because they get to be its executioners and thus the ones who can seemingly solve problems. So one can see how this idea has many qualities which can make it ‘viral’ in the sense that it can spread and appeal to many people, including Keynes who did the most to give it a legitimate or scholarly aura. So what is wrong with this idea? Let us once again keep our eyes on wealth and the basics. Social orders, companies or individuals, are always in a cycle of wealth production **and consumption**. In order for an auto manufacturer to produce an additional 1.1 billion dollars worth of automobiles, it might lead to the consumption of one billion dollars worth of wealth (assuming it has profits of 10%). This one billion in consumption can be seen as the wealth that is consumed by everyone associated with creating the additional 1.1 billion dollars worth of cars. The auto manufacturer’s employees will use some of the one billion to consume homes, cars, food, medical services and so on. So will the the companies that provide the additional steel, rubber, etc. So again, generally speaking, an increase in production *requires* an increase in consumption. The problem with this “stimulus” idea is that while the additional spending of \$150 billion induces businesses to expand production, the economic pie has not been increased by the *real* wealth needed by these companies to sustain such production. An increase of 150 billion dollars by the Federal Reserve IS NOT the same thing as an increase of \$150 billion dollars worth of wealth in terms of food, machines, storage, energy, etc! Imagine I go to a large island and establish a new country and print one billion pieces of paper (we’ll call them Krugmans) and give them to millions of people that I brought along. Can they consume the Krugmans in order to create buildings, boats, and other kinds of wealth, no, right? What if instead of producing one billion Krugmans I somehow produce or distribute to the people one billion bags of almonds? Now they have real wealth to consume or trade for other things which they can consume while they go about producing other stuff. Get it? The social order is in a constant cycle of production AND CONSUMPTION OF

REAL WEALTH.

The real effects of the “stimulus” are as follows. Since the public has been given \$150 billion, for the most part they will simply increase their consumption by \$150 billion thus leading to a further shrinking of the economic pie. There will also be all sorts of economic misalignments or a further contribution to a boom/bust cycle. For example, businesses, seeing the pickup in orders might create new factories, but while the factory is being built the “stimulus” money has already been spent and suddenly there are no more orders in the future, making the factory and all the consumption associated with it a waste, leading to a bust/bankruptcy/layoffs/etc. A businessman has to be careful and know whether his increased sales which might motivate him to expand come about a temporary “stimulus”, or because society in general is truly wealthier in a sustainable way that will lead to increased orders in the future as opposed to the temporary government induced stimulus. We should also expect prices to be higher than they would otherwise be since the stimulus simply helps reduce the economic pie while increasing the money supply. Businesses should actually have a harder time producing as much as before, never mind producing more, because there will be less wealth.

Mainstream economists talk about consumer confidence, about psychology, about “consumer spending”, as if getting people to spend money confidently and seeing the social order moving around is all that is needed to create prosperity. What they will never talk about, because they do not understand it, is that all the activity and “stimulating” in the world needs to be part of a delicate cycle that increases production over consumption. Just because you see people moving around and working/buying/selling does not mean that their actions will lead to prosperity. On the contrary, for the hundredth time, if their actions lead to more consumption than production you are making things worse and that is exactly what happened when the government borrowed/printed another 150 billion for its “stimulus” package sending people \$300 and \$600 checks. The economy is in trouble because its social order is misaligned, and giving money here and there will not help create the necessary incentives to help discover and spread the knowledge with which to realign our messed up social order.

When one realizes that what is needed is for the right knowledge to spread throughout society in a way that it can coordinate pie-increasing/profitable human action, it becomes easier to see that simply giving money here and there has nothing to do with accomplishing this goal. Only things like profit and loss calculation by businessmen, interest rate coordination and the competitive knowledge discovery process inherent in the market process can accomplish such a task. These mechanisms can only work in the private sector, in a private sector that is not burdened and thwarted by taxation, regulation, and the distortions caused by central banks inflating the money supply.

Notice how they don't talk about cutting spending, i.e., consumption, by some government bureaucracy. This would “put people out on the streets” which is a tribal sin and therefore political suicide, as well as a recipe for more unemployment and worsening economic conditions according to our misguided establishment, but it is exactly what we need and the only thing that will save us. The former public sector employees would stop being part of a

consumptive social cancer as they are laid off, and by joining the private sector they would incorporate themselves into a profitable social order which would increase the economic pie.

Paul Krugman and the mother of all economic fallacies

The same fallacies Keynes fell for apply to the stupidity of “war prosperity”, check out this absurdity by mainstream economist and 2008 Nobel Laureate in economics Paul Krugman who writes for the New York Times:

“The fact is that war is, in general, *expansionary* for the economy, at least in the short run. World War II, remember, ended the Great Depression. The \$10 billion or so we’re spending each month in Iraq mainly goes to US-produced goods and services, which means that the war is actually supporting demand.”

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More of the same, but this time the fallacy is much worse. A section of the social order increases the economic pie by weapons that will reduce the already miserable Iraqi/Afghani economic pie in terms of infrastructure/homes as they are destroyed and people are killed. As our Military-Industrial-Complex produces destruction, it consumes more of the real wealth that makes life better for Americans like cars, homes, medical services, etc. But Mr. Krugman, like most mainstream economists, only seems to see some mathematical equation that leads them to believe that as long as people are working and spending money they are creating prosperity. Again, you have to produce wealth, something free individuals are willing to trade for, not destruction, and do so in a way that adds more than it consumes. Moreover, what got us out of the depression was the fortune that after the war, enough of the bad economic policies that kept us in the Great Depression were removed leading to enough economic freedom to allow the market process to once again grow the economic pie⁵⁸.

Krugman repeated the same fallacy when he said that “If we had the threat of war, had a military buildup, you’d be amazed at how fast this economy would recover.”⁵⁹

Paul Krugman, given his recent Nobel Prize in economics and disastrous economic advice, is already one of the truly most dangerous people in the world because his erroneous economic views are what provide the pseudoscientific justification governments and “Liberal” ideologists use to justify their destructive government programs/etc. But the fact that he so often brings up the ‘WWII got us out of the depression’ myth and uses massive military spending or potential wars as solutions to our problems makes him that much more dangerous. To think that as the socioeconomic situation continues to deteriorate, some bureaucrats might supplement their blame-the-Chinese-worldview with Krugman’s ideas and help start some world war; or that thanks to Krugman’s advice we continue or expand our wars in the Middle East...

A survey of American economics professors shows that Paul Krugman is the favorite living economist for 60% of them. Their favorite dead 20th century economist was John Maynard Keynes. This gives further evidence of just how clueless the mainstream economics establishment is⁶⁰.

Alan Greenspan and our needed return to free market money

In an interview, Alan Greenspan, the head of our nation's central bank from 1987 to 2006 was asked by Fox news⁶¹:

Fox News: "So then, why do we need a central bank?"

Greenspan: "Well, the question is a very interesting one. We have at this particular stage a fiat money. Which is essentially money printed out of thin air by a government and it's usually the central bank which is authorized to do so. Some mechanism has got to be in place that restricts the amount of money that is produced, either a gold standard or currency board or something of that nature because unless you do that, all of history suggests that inflation will take hold with very deleterious effects on economic activity."

Yes. It is so simple. With the help of central banking, elected ideologues create trillions with which to fund the bureaucracies they intend to use to help out society. The bureaucracies/tentacles and whatever help they try to provide is what is *visible*, but what we don't see, is how as the bureaucracies trade the new money for wealth from the private sector, they end up consuming much more than whatever wealth in terms of services they might add to society, leaving society poorer and closer to socioeconomic chaos.

What really brings prosperity? It is an arrangement of the social order that produces more wealth than it consumes. The knowledge needed to achieve such order resides in the minds of billions of free individuals/entrepreneurs/businessmen who are already part of profitable, or nearly profitable, business plans, and as we have already discussed, such knowledge can only come about and efficiently spread via the market process in the private sector.

Money is the means by which we morph the social order. Ideally every brain in the social supercomputer would have access to an amount of money/resources proportional to the pie-increasing profitability of its ideas. Why is Microsoft a very wealthy company? Because the knowledge embodied by Microsoft has guided people in a very productive way that has greatly improved society, and such improvement to society is reflected in the amount of wealth society has traded with Microsoft therefore making it rich.

Central banking and our "fiat" government created money, allows the stupidest and most tribal brains, our elected ideologues who are the embodiment of our tribal nature, to arrange the social order in disastrous ways that would have been impossible for them to do otherwise. It is not just was obviously. It is the regulations, welfare schemes, and overall destruction of a much more prosperous social order that would have otherwise taken shape if it weren't for all the government created nonsense.

We must abolish our monopolistic central banking and once again allow natural selection via the market process and the free decisions of billions of people to select what money works best, which I guess would once again be gold, since it was the free-market money before central banks began to screw things up⁶². Just like the market process was not consciously invented by human beings, neither was the decision to use gold for its preferred source

of money. Gold became the worldwide standard because it naturally emerged as the best money. Society did not go off the gold standard because we found a better alternative; we went off the gold standard due to economic ignorance and the desire to finance destructive wars.

For hundreds of years, the time-honored idea/obligation that money was backed by gold inadvertently provided tremendous benefits to the social order, the biggest one being that it prevented ideologues from distorting the social order to finance their silly plans(wars/welfare/etc). But by breaking this tradition, we opened the door to the type of damaging central planning via inflation that would not have been possible before and has gotten us into countless messes. As Jesús Huerta De Soto writes:

“The original neglect of this obligation led to all the banking and monetary issues which have given rise to the current financial system, with its high level of government intervention.

The idea is ultimately to apply a seminal idea of Hayek’s to the field of money and banking. According to this idea, whenever a traditional rule of conduct is broken, either through institutional government coercion or the granting of special privileges by the state to certain people or organizations, sooner or later grave, undesirable consequences always ensue and cause serious damage to the spontaneous process of social cooperation.”⁶³

We have such a mess today with different countries creating their own paper currencies, everyone inflating at different rates, wreaking havoc on their local economies and messing up what would otherwise have been smooth cooperation between people all over the world. Trade barriers, different currencies, etc., all prevent the market process from smoothly organizing the entire global social order into the leanest and meanest matter to human usable wealth transformation machine possible. We should go back to the gold standard to once again obtain these benefits, but more importantly, to prevent the damaging effects of government planning and regulation.

In the same interview by Greenspan quoted earlier, Greenspan continues:

“There are numbers of us, myself included, who strongly believe that we did very well in the 1870-1914 period with an international gold standard.”

Wow! Of course we did well, then why did Greenspan create so much money and set us up for the housing bubble and oh so much more we are currently facing? As Dr. Paul says in one of his speeches before Congress:

“In the ten years that Greenspan has held the Fed, 2 trillion of new credit has been created...”⁶⁴ (and this was half way through Greenspan’s 20 years)

Murderers like Lenin, Stalin and Mao were trying to implement a communist ideology that they and many around them certainly believed in, in their own self-absorbed sort of way, but they certainly did not purposely destroy their countries. A great mystery to many libertarians and people who know a bit about the history of economic thought is how Greenspan could have gone from someone who clearly understood the evils of central banking and benefits of gold, to being a great inflator and destroyer of prosperity. In his famous “Gold and Economic Freedom” essay published in Ayn Rand’s “Objectivist” newsletter in 1966, and reprinted in her book, “Capitalism: The

Unknown Ideal”, in 1967, Greenspan said:

“In the absence of the gold standard, there is no way to protect savings from confiscation through inflation...

...This is the shabby secret of the welfare statist’s tirades against gold. Deficit spending is simply a scheme for the confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasps this, one has no difficulty in understanding the statist’s antagonism toward the gold standard.”⁶⁵

How could Greenspan have written this and believe that the gold standard would be a better solution, yet lead to the inflationary policies that have allowed our mega-cancer government to bankrupt our future, finance ideological wars and create so much socioeconomic harm? Government, as a sort of social entity inevitably selects for individuals who for one reason or another end up going along with the usual mixture of tribalism and economic ignorance that leads to government growth. The democratic process helps this government growth too. Unlike reaching the top of a company in the free-market, where such a position of leadership can only come about through the kinds of good decisions and values that increase profits, and therefore how much wealth is added to the economic pie. The democratic process launches to the top of the most powerful enterprise, the U.S. government, people who are reflective of our tribal nature and unfortunate economic ignorance. If your ideas ultimately get in the way of the bureaucrats’ plans you just get fired or replaced. For example, Senator and former presidential candidate John McCain said Fed Chairman Ben Bernanke should have lowered interest rates sooner to supposedly help avert a recession, and that “That doesn’t mean I want him fired, it doesn’t mean I’ve lost confidence”, so one can see the process here at work. So whether it is selecting economists that say the economy is doing great when it is not, or military “heroes” that say the wars are going great when they might be complete disasters, government selects for agreement with the ruling ideologues and their ideas. Anyways, now we even have “the Maestro” ‘s blessing for going back to the gold standard.

Joseph Stiglitz: “New Ideas for a New World”? I don’t think so!

2001 Nobel Laureate in economics Joseph Stiglitz was featured in a video made by the International Monetary Fund(IMF)⁶⁶. Some of the video went as follows:

“What lessons have we learned from the crisis?” Is shown in screen.

To which Stiglitz replies:

“There are actually a large number. At a very high level of analysis is the point that there is a realization that markets are not necessarily efficient and stable on their own. Many economists had believed that before, I think now there is a consensus on that”

What about the thousands of paralyzing government regulations, the hundreds of billions of dollars which the Federal Reserve injects into the economy to artificially lower interest rates thus helping fuel a boom and the inevitable bust? I can understand picking a person at random from the street

and this person confusing the real free-market with the government managed economy we have today, but for a Nobel Laureate to overlook all the ways in which the government interferes with the real free market and then blame the free-market is just ludicrous.

While still answering the same question he continues with:

“...At the more practical level, I think that the most interesting thing is to bring back many of the things that we knew before but forgot, for instance, one of the lessons that came out very strongly in the conference was that fiscal policy works... **that when the economy is weak government spending can actually stimulate the economy.**” (emphasis mine)

This is more of the same fallacy. Supposedly the government spends money causing people to work which fools everyone into thinking that since they are working and moving (thus “stimulated”) the economic pie is increasing leading to a supposedly larger GDP/pie. But again, what Stiglitz and other mainstream economists don’t understand is that unless those workers are producing more than what they consume the economic pie will actually shrink more, and that the only way the workers and the social order in general can really grow the economic pie is by being in a true private sector order, one with a money that has not been tampered with via various central banking schemes and all kinds of other government interferences.

What is a “weak economy” anyways? To what our “experts” and the public *seems* like a weak economy is really an economy that is attempting to correct itself, trying to realign itself in a truly prosperous path, a realignment which requires people changing jobs, mostly going from being net wealth consumers in the public sector or welfare or military to private sector wealth producers.

Just like psychiatrists look for that inexistent chemical imbalance which supposedly depresses people, mainstream economists base their policies/potions on the supposedly inherent “instabilities” or “market failures” which would supposedly launch society into financial chaos or create some lopsided world where the rich get richer and the poor get poorer or some other calamity.

More by Stiglitz:

“Most striking is the lesson that... the models that were used before the crisis neither predicted the crisis nor gave us a framework for responding to the crisis when it happened, and so in a sense for an economist this is a very exciting time because it means there is a lot of work to be done”

Of course the models didn’t work! The models sucked! They are based on faulty assumptions that have little resemblance to the real world, but just like with psychiatrists who can fool themselves and the public thanks to the complexity of the mind, so too do economists thanks to the complexity of the social order. Any growth, stability, or progress—like a placebo effect—they attribute to their various economic theories/potions/antidepressants which are actually doing more harm than good. And when things go bad economists get to experiment some more, which simply means creating a higher level bureaucracy that can supposedly “coordinate” better than before, which simply means that more freedom has to be given up in order for the

coordinators to coordinate the various “pieces upon the chess-board”, which leads us to the last quote from video I’ll discuss:

The following sentence is shown, “Global problems require global answers”. To which Stiglitz replies:

“That in a sense was the biggest lesson of the crisis in a way, that there are these very important cross border externalities. That each country pursuing its own interest does not necessarily lead to the wellbeing of the global economy. There is therefore a need for this kind of coordination. The IMF is at the center of this global coordination. It’s played in this crisis a very constructive role of reminding many people that what we need now is stimulation... deficit spending is what is needed... those are all very important messages and frameworks in which the IMF has played a very important role.”

To me this kind of thinking seems very predictable. Just like economic ignorance leads people to the idea that the national social order needs some sort of government management, coordination between nations also fools them into believing that some bigger and thus international or world governing bureaucracy is needed to coordinate order at that seemingly higher level. In reality, there are only billions of individuals trading with each other, our modern governments with their different currencies, with each central bank inflating and manipulating interest rates at different rates is one of the main factors helping create the various unbalances that lead economists to believe that a worldwide governing bureaucracy like the IMF is needed. The naturally selected or spontaneously evolved gold standard was doing a much better job at coordinating trade throughout the world during the 19th century than the man-designed and chaotic systems we now have. Since we have touched upon the IMF I’d like to briefly include a small but great congressional speech by Ron Paul on this disastrous institution¹.

Statement on Ending US Membership in the IMF by Ron Paul Feb. 27th, 2002

Mr. Speaker, I rise to introduce legislation to withdraw the United States from the Bretton Woods Agreement and thus end taxpayer support for the International Monetary Fund (IMF). Rooted in a discredited economic philosophy and a complete disregard for fundamental constitutional principles, the IMF forces American taxpayers to subsidize large, multinational corporations and underwrite economic destruction around the globe. This is because the IMF often uses the \$37 billion line of credit provided to it by the American taxpayers to bribe countries to follow destructive, statist policies.

For example, Mr. Speaker, the IMF played a major role in creating the Argentine economic crisis. Despite clear signs over the past several years that the Argentine economy was in serious trouble, the IMF continued pouring taxpayer-subsidized loans with an incredibly low interest rate of 2.6% into the country. In 2001, as Argentina's fiscal position steadily deteriorated, the IMF

¹ Dominique Strauss-Kahn, the former head of the IMF is a member of France’s **Socialist Party** and in 2007 he lost a bid to represent the party in the national elections. That tells one plenty about the economic ignorance and damage that the IMF does.

funneled over 8 billion dollars to the Argentine government!

According to Congressman Jim Saxton, Chairman of the Joint Economic Committee, this "Continued lending over many years sustained and subsidized a bankrupt Argentine economic policy, whose collapse is now all the more serious. The IMF's generous subsidized bailouts lead to moral hazard problems, and enable shaky governments to pressure the IMF for even more funding or risk disaster."

Argentina is just the latest example of the folly of IMF policies. Only four years ago the world economy was rocked by an IMF-created disaster in Asia. The IMF regularly puts the taxpayer on the hook for the mistakes of the big banks. Oftentimes, Mr. Speaker, IMF funds end up in the hands of corrupt dictators who use our taxpayer-provided largesse to prop up their regimes by rewarding their supporters and depriving their opponents of access to capital.

If not corrupt, most IMF borrowers are governments of countries with little economic productivity. Either way, most recipient nations end up with huge debts that they cannot service, which only adds to their poverty and instability. IMF money ultimately corrupts those countries it purports to help, by keeping afloat reckless political institutions that destroy their own economies.

IMF policies ultimately are based on a flawed philosophy that says the best means of creating economic prosperity is through government-to-government transfers. Such programs cannot produce growth, because they take capital out of private hands, where it can be allocated to its most productive use as determined by the choices of consumers in the market, and place it in the hands of politicians. Placing economic resources in the hands of politicians and bureaucrats inevitably results in inefficiencies, shortages, and economic crises, as even the best intentioned politicians cannot know the most efficient use of resources.

In addition, the IMF violates basic constitutional and moral principles. The federal government has no constitutional authority to fund international institutions such as the IMF. Furthermore, Mr. Speaker, it is simply immoral to take money from hard-working Americans to support the economic schemes of politically-powerful special interests and third-world dictators.

In all my years in Congress, I have never been approached by a taxpayer asking that he or she be forced to provide more subsidies to Wall Street executives and foreign dictators. The only constituency for the IMF is the huge multinational banks and corporations. Big banks used IMF funds- taxpayer funds- to bail themselves out from billions in losses after the Asian financial crisis. Big corporations obtain lucrative contracts for a wide variety of construction projects funded with IMF loans. It's a familiar game in Washington, with corporate welfare disguised as compassion for the poor.

The Argentine debacle is yet further proof that the IMF was a bad idea from the very beginning- economically, constitutionally, and morally. The IMF is a relic of an era when power-hungry bureaucrats and deluded economists believed they could micromanage the world's economy. Withdrawal from the IMF would benefit American taxpayers, as well as workers and consumers around the globe. I hope my colleagues will join me in working to protect the American taxpayer from underwriting the destruction of countries like Argentina, by cosponsoring my legislation to end America's support for the

IMF.

Franklin Delano Roosevelt's Presidency

The obvious truth that Americans are no different from those who had the misfortune of swallowing more Socialism like the Russians and Chinese easily manifested itself in our own path to Socialism, especially under Franklin Delano Roosevelt's presidency. Let's briefly say a couple of things about this important period in our history.

The Federal Reserve-created-boom of the 1920s finally began to visibly bust⁶⁷ with the stock market crash of 1929, but the Hoover administration at the time did not just let the crash and necessary correction take its place. We had an emergency, our bureaucrats had to act, right? Hoover further aggravated the problem by doing stupid things like confiscating and consuming even more wealth from the private sector by raising taxes and creating bureaucracies aimed at curing the evils the government itself was responsible for. As Hoover stated in 1932: "I have waged the most gigantic program of economic defense and counter-attack ever evolved in the history of the Republic." What would have been an economic correction needed to properly realign the social order, which would have been followed by normal economic growth, turned into the Great Depression as FDR took office and did even more economic damage. If one harebrained government intervention did not work, you just have to keep trying, right? What kind of leader just gives up and decides to do nothing and leave the private sector alone, especially when the people are begging the leader to take action? As FDR said "The country needs and, unless I mistake its temper, the country demands bold, persistent experimentation. It is common sense to take a method and try it; if it fails, admit it frankly and try another. But above all, try something" Every "something" attempted by FDR created yet another government tentacle aimed at curing a visible social ill, benefiting a visible politically-connected few, while consuming and destroying more social order leading to unproductive chaos. As leading businessman Lamont du Pont mentioned with respect to the government created chaos in 1937:

"Uncertainty rules the tax situation, the labor situation, the monetary situation, and practically every legal condition under which industry must operate. Are taxes to go higher, lower or stay where they are? We don't know. Is labor to be union or non-union?...Are we to have inflation or deflation, more government spending or less?...Are new restrictions to be placed on capital, new limits on profits?...It is impossible to even guess at the answers."⁶⁸

How can the social order arrange itself in a sustainable and prosperous cycle which produces more wealth than it consumes, in other words, a profitable cycle, when the government makes it impossible to predict the future and plan accordingly?

FDR, like Stalin, Hitler, Mussolini and most leaders during the 1930's, who like many of their citizens believed that government could create a better social order than freedom, was just as convinced as the others that he was the right one to solve the world's problems, which naturally translates to having millions of people being forced to go along with his grandiose plans. A great example of his megalomania is given by his administration's Treasury Secretary Henry Morgenthau who records in his diary a conversation he had

with FDR about some of FDR's "big plans", like one where he wanted to create international cartels/monopolies to deal in various commodities:

"I asked the President whether this had anything to do with the idea he had a couple of years ago where he was going to divide the world into different production areas. He said, "No, this idea superseded that one." He pictures himself as being called in as a consultant of the various nations of the world. He said, "Maybe I can prescribe for their ailments or, after making a study of their illnesses, I will simply turn up my nose at them and say, 'I am sorry—I cannot treat them.' For example, I would tell England that she had too many people and she should move out ten million of her population. I would take a look at each country and, of course, when we made them disarm we would have to find new work for the munition workers in each country and that is where this international cartel would come in and your job would be to handle the finances."⁶⁹

One example of the chaos FDR created via one of his new sweeping legislations, in this case the National Industrial Recovery Act, goes as follows. Historian Burton Folsom Jr. writes:

"America's traditional free market system, where businesses compete and innovate to sell products of varying price and quality to choosy customers, was overthrown. With the NRA, a majority in any industry had government approval and legal force to determine how much a factory could expand, what wages had to be paid, the number of hours to be worked, and the prices of all products within the industry" (Folsom B. J., pp. 43-44)

Large businesses which joined together to make these "majorities" created monopolies/cartels which were enforced by law so it became illegal for smaller businesses to compete against them by selling for lower prices than the "majorities" had established via their "NRA codes". People like Sam and Rose Markowitz, who operated the Community Dry Cleaners in Cleveland, were jailed because they cleaned suits for 5 cents less than the NRA code mandated. Jabob Maged of Jersey City, New Jersey too was jailed and fined one hundred dollars for pressing suits for 35 cents when the NRA Cleaners and Dyers Code mandated a price of 40 cents. (Folsom B. J., p. 55)

Roosevelt also confiscated the people's gold in 1933 via his executive order 6102, not only committing a gigantic act of theft but helping take the nation further away from sound money and thus towards enabling larger government growth.

Ideology. Democrats/Liberals/'The Left', Republicans/Conservatives/'The Right'

What is the difference between Democrats/Liberals/'the Left' and Republicans/Conservatives/'the Right', and the lesser-known Libertarians? What causes some people to gravitate and associate themselves with each of these political groups/ideologies? How have our cultural books evolved over the last century in a way that causes so many people to segregate themselves into these categories?

Libertarians and traditional conservatives

Libertarians are the ones who for the most part just want the government to adhere to our two fundamental laws. There are libertarians like myself, who come to hold such views mostly via an understanding of economics. There are also some people who are just gun-ho about freedom without necessarily understanding anything about economics. Many came to libertarian views via the literary works of Ayn Rand. Then there is a large group of Libertarians who come to hold such views due to their religious views. In many ways this type of religion-influenced libertarians can also be referred as “traditional conservatives”, and the rest of my discussion focuses on them.

People who are more likely to label themselves conservatives are likely to do so because of their religious values. These people tend to have a stronger sense of the “self” and the idea that people should be responsible for their actions. This sort of viewpoint is a central theme in the Christian cultural book that Americans inherited and has been an important influence in America’s great success, because it inadvertently leads to a well-functioning market process and therefore an increasingly productive social order. Often times these religious values stress the role of the individual to be responsible and hardworking, to provide for the family/etc., the role of the young and able in the family to take care of the elderly, as well as the role of the community or church in providing assistance. This is really no different than in Islam and most other “cultural books” out there. For thousands of years, individual responsibility, families and local church have been the center of moral values. Only with the rise of our modern industrial civilizations and the tremendous amount of wealth and social complexity that they have created, has the idea that it is the government that is responsible for providing for people taken such a stronghold.

Traditional “conservative” positions like being pro-life are easy to understand from a religious point of view. To take a life is obviously a sin and awful. One does not have to be religious and fear God’s wrath, we are human beings, very caring, compassionate and susceptible to putting ourselves in other people’s shoes/etc. Conservatives are also for free-trade and a strong respect for private property. This is really an outgrowth of the central theme of personal responsibility, that a man has a sort of God-given free will and that his success/failures come from his decision to exercise that free-will. God sees all men as being equal and therefore some men cannot boss others around and prevent them from doing business with others.

Since these people take God more seriously than most, they are very likely to see many of the things the government does with their taxes as violations of their religious values. Given our current big-government ideology, a person who does not want to pay taxes to fund a public education system they want no part of can be sent to prison, or killed should they resist by using force. The same applies to people who would rather spend their money on their children’s education, instead of paying for some people to have a great time trying to put people on the moon, i.e., funding NASA. These people are obviously crazy right? How dare they not want to contribute to such wonderful social causes? These very pious folks’ faith is far stronger than the aforementioned tendencies that have the rest of America falling for Socialism. What I’m saying here does not mean that you can’t be a Christian if you support big government ideology, I’m just saying that certain religious

traditions still influence a lot of people in a way that goes counter to big-government ideology.

Modern day Republicans

Today's mainstream "Conservative" or Republican, is a whole different animal than what true, traditional conservatism as just discussed is. If George W. Bush was a true or traditional conservative, a Christian who felt like it was immoral and against God's law to threaten to imprison a Christian for wanting to spend his money on his moral duty of family and community/church instead of government, there should have been all kinds of cuts in the size of government. But obviously this is not what happened. Why? First of all, because of the aforementioned reasons that lead society to believe that we need a big government. America's religious principles have been bent/thwarted or evolved due to the new complexities of our modern industrialized world, and this has caused Americans to believe that it is government management of the social order that helps bring prosperity, as opposed to following their traditional Christian values of individual freedom, personal responsibility, and communal help at the local Church level.

I think it would have been obvious to any American Christian of the 1700s that threatening to incarcerate someone for refusing to pay into a social security system that they don't want, or research that they don't want, or have their money given to farmers or welfare recipients or to foreign nations, etc. goes against Christian values at the time, period. Have a Christian not pay his income taxes, then go to court and explain that he feels it is morally wrong to take his hard earned money to give it to an unwed mother who keeps having kids. There is a good chance that the judge who sends him to jail is a so called "Christian Conservative" who votes republican, same can be said about the police officers that jailed him and countless other individuals who will go along with this man's troubles and watch his story unfold on T.V. thinking he is some overtly religious fool. So the mainstream Christian faith has sort of evolved with the times. Our tendency to believe that we need this huge government has evolved the Christian faith in a way that many of its current actions go counter to its most basic principles. But this makes sense anyways, "cultural books" and religions evolve with time and how the majority sees the world.

The modern Republican party has also sort of become, what your average black guy in the street will tell you, the "white man" 's party or tribe. Although religion also helps us be more inclusive of other people, it has often been the ideological glue that bonds a tribe and helps shape its identity. And in this respect it is definitely the "white man" 's tribe. With slower birthrates than Hispanics and the already mentioned thorny relations with blacks, there has been more incentive to inadvertently seek unity, and a stronger sense of identity and collective action. Being tough on immigration seems like a bigger deal for these folks than for democrats whom we will discuss next. Although republicans still talk about small government and traditionally conservative values, one might get the impression that many don't preach such values out of Christian and moral principles, but more so out of the fact that they hate feeling like they are subsidizing the minorities, and with good reason, there is nothing wrong about being upset about having your money taken from you to give to someone else.

While the traditional conservative or Libertarian Christian is pious enough in a direction that can sort of overcome our tribal nature, the modern Republican is less so. For example, I see Dr. Paul as a true conservative Christian, who often times brings up the Christian inspired concept of Just War Theory when he talks about when a war is justified. The mainstream republican public is much more likely to let our tribal nature see the Muslim world as “evil”, and is willing to ignore Christian principles in order to meddle in their affairs. The fact that Jews tend to be white like the “Republican Base”, and our religious histories are so intertwined, makes them our natural sort of tribal allies, especially compared to the darker Arabs. Not that I’m labeling all republicans as being blatant “racists”, it is just that these things do matter in the general psyche of individuals as we inadvertently segregate ourselves. With the exception of Dr. Paul, all Republican presidential candidates in the 2008 Republican primaries were for the continuation of the Iraq war and are very pro-military, completely blinded to the historical nuances of the Middle East and the unintended consequences of their ideological pursuits.

The Republican Party is the party of the U.S. Military who are the executioners of good against the forces of evil, and this powerful mixture of religious zeal and military, especially with our troops in a Muslim country is also leading to a dangerous militant Christianity. Lt. Col. Brandl, a man who commanded over 800 troops said while leading his attack of Fallujah: “The enemy has got a face. He’s called Satan. He’s in Fallujah, and we’re going to destroy him.”⁷⁰ Karen Kwiatkowski, a retired U.S. Air Force Lieutenant Colonel who worked in the Pentagon and has commented on the ideological extremism of the Pentagon mentioned how she was advised by a college that “if I wanted to be successful here, I’d better remember not to say anything positive about the Palestinians.”⁷¹ In a coming section we will discuss the importance of the Israeli-Palestinian conflict and sort of revisit much of what has been mentioned here.

Democrats / Liberals

Liberals/Democrats are in some ways a little more enlightened than conservatives in their understanding of the world. If you strongly believe in “free will”/“individualism” like a conservative, then a criminal is more likely to be “evil” and deserving of punishment. But Liberals tend to be seen as “progressive”. “Progressive” from what? Well, from tradition of course, and tradition is mostly our religious values. People who label themselves Liberal feel like they have a better understanding of human nature and the important role that the environment plays in shaping people. Here the “Liberal”, and probably wiser view is that criminals are sort of products of their environment and that we should not be as hard on them. The modern “Liberal” view is to try to use the government to take from the “haves”/“fortunate ones” to socially engineer environments where people grow up “right”. Given this “enlightened” liberal view the punishment of criminals can even be seen by some to be a crime itself because according to their mistaken ideology it is the “social injustices” and differences in wealth, the exploitation of the workers by the rich/haves/etc. that creates the conditions that leads to crime in the first place, and that given that we know that all human beings are equal, those factors that have minorities caught in a web of higher crime and poverty are “obviously” outgrowths of such “social injustices”/etc. From the “Liberal” point this whole concept of “free will” might be true but to a much smaller

degree than a “conservative” viewpoint might accept. I agree that so called “criminals” are very much a product of their environment, and as we will discuss next, I view much of our justice system to be misguided and a Spanish Inquisition-type antiquated enterprise in many ways, but the mistake of Liberals comes with their economically ignorant call for government to help create what they consider to be the “right conditions” via things like welfare and minimum wage laws which inadvertently end up creating the conditions that lead to the criminal behavior they so much want to eliminate... More on this shortly.

Most US university faculty are “Liberals”/Democrats and are sort of descendants of the scientific revolution which gives us the feeling that we can use science and the coercive power of government to mold a better society. “Liberal” university professors are much more likely to be atheists and many look upon religion as being antiquated, which in many ways it is. With the rise of science and so much new knowledge about fields like biology, we were freed from our religious traditions and dogmas and we could experiment. All kinds of social theories emerged, Freud/etc. and entire new branches of study became prominent like Sociology/Anthropology and Psychology. Our Western cultural books suddenly were no longer limited to concepts like the soul, good, evil, the devil, possessed, bad spirits, etc., with which to piece together an understanding of man. Now we had chemistry, brains, early childhood development, and a whole slew of psychobabble. The “conservative” cultural book is weary of all this, especially when it contradicts tradition and scripture but the Liberal cultural book is expanding and attracting more and more brains as science and reason expand.

The Liberal/Democratic mindset’s tamer religious fervor can be seen in its pro-choice views when it comes to abortion and tolerance of social freedoms like gay rights. These further departures with religious traditions are also reflective in its economic ideology. While the Republicans at least talk about free-trade, low taxes, personal responsibility and God as being the ultimate source of what is right and wrong, in other words, Republicans *seem* to have more Natural Law, the Liberals/Democrats don’t mind violating “thou shalt not steal” at all, as long as it is done from the haves to bring about their well-intentioned and economically ignorant Socialism. Given our sort of egalitarian tendencies and zero-sum view of the world, minorities like African Americans and Hispanics tend to feel like it is perfectly justifiable to have higher tax rates, and sort of share the wealth, since it is taken from the rich white man who is greedy and supposedly keeps the minorities down. This is just the usual mindset that so easily spreads Socialism/Communism all over the world.

On democracy

The United States these days is pretty much a full-blown democracy, which means that politicians are elected by the public and their decisions reflect the average ignorance/wisdom of the very people that elect them. Politicians cannot pass or repeal laws that the public does not like, even if such laws or their repeal might be the best thing for them. If they do, they are voted out of office and replaced by a true representative of the people who will do as people want, regardless of what is really in their best interest. Since it is in our nature to have a certain longing for Communism/Socialism for reasons

already discussed, given a chance, as a democracy provides, we ask for it with every trip to the voting booth, so as Karl Marx said “Democracy is the road to socialism.” This is why what might start as a relatively free and limited democracy, as in the case of the United States, inevitably moves towards a sort of communist democracy due to our innate desire to have some alpha-male-like visible entity dictate the workings of society as opposed to the seemingly chaotic individual freedom/‘market process’. A few quotes on democracy are called for:

“A democracy is nothing more than mob rule, where fifty-one percent of the people may take away the rights of the other forty-nine.” – Thomas Jefferson.

“...a state which recognizes the subordination of the minority to the majority, i.e., an organization for the systematic use of force by one class against another, by one section of the population against another.” – Lenin

“The best argument against democracy is a five minute conversation with the average voter.” – Winston Churchill

“Sooner will a camel pass through a needle's eye than a great man be "discovered" by an election” – Adolf Hitler

“The higher the wisdom the more incomprehensible does it become by ignorance. It is a manifest fact that the popular man or writer, is always one who is but little in advance of the mass, and consequently understandable by them: never the man who is far in advance of them and out of their sight... So that, even were electors content to choose the man proved by general evidence to be the most far-seeing...there would be small chance of their hitting on the best... Their deputy will be truly representative;—representative, that is, of the average stupidity.” – Herbert Spencer

“Democracy is a pathetic belief in the collective wisdom of individual ignorance.” —H. L. Mencken

In Richard J. Maybury’s already mentioned awesome “Whatever Happened to Justice?” he tells us:

“In fact, as far as I know, no one in the American Revolution was interested in democracy. Read the literature of 1776, try to find any mention of it. Everywhere you will find demands for liberty, but little or nothing about democracy. The Constitution says nothing about democracy.

The Founders did not like democracy and they did not trust it. They wanted liberty.

Indeed, as citizens of Britain, the early Americans probably already had more democracy than any other nation. To a large extent, this is what the war was about. The American colonists were a minority of the British population, which was governed by parliament’s majority rule. Even if every one of the colonists could have voted, they probably could not have stopped parliament

from voting against them....

...The Founders studied the democracies of ancient Greece and other nations before they created the Constitution. In Federalist #10, James Madison (4th US pres) wrote:

‘Such democracies have ever been spectacles of turbulence and contention; have ever been found incompatible with personal security or the rights of property; and have in general been as short in their lives as they have been violent in their deaths.’

In Federalist #50 he worried that,

‘The passions, therefore, and not the reason, of the public would sit in judgment.’⁷²

— Richard J. Maybury

Thomas Jefferson said, “Whenever the people are well-informed, they can be trusted with their own government”, so as long as the overwhelming majority of people understand the market process, I think we will be alright.

The modern political zoo and its inevitable road to serfdom

As should be increasingly apparent by now, the talents, honesty, charisma, good intentions, loyalty, patriotism, and countless other traits which were crucial for the successful maintenance of the social order in our simpler tribal past, are insignificant in comparison to the workings of the market process in our modern world. They are insignificant to what free individuals can accomplish. However, we don't realize this, especially when it comes to politics. Millions of us spend our Saturday/Sunday afternoons watching the various political shows where they debate the sorts of things that were of importance to a more tribal world. Let's go over our usual political concerns and discuss just how out of place we really are.

“Is so and so of good character and can he be trusted?” Trust was a big deal in our tribal past and you really needed the leaders not to redistribute wealth in an unfair manner, or mediate conflicts to their advantage as opposed to the equality we all want and would keep things stable. In today's world we have contracts, how trustworthy people are is less important. As long as they adhere to the contract which describes a transaction that benefits both parties, then everything is great, if not, then this new abstract concept of “the law” steps in to correct the fraud. But whether the people we are doing business with are ‘nice’ or not, it matters less. The specific ‘niceness’ of the thousands of people involved in building my car is irrelevant to the bottom line that says that should anything break down within the car's first 3 years it must be fixed at no cost to me and that I must be provided with a decent rental car in the meantime. This does not mean that we do not care about the morals and values of those we do business with, we still do, and this is still very important in our dealings,

but again, in our market process coordinated world it is not as important as it once was, it is not the main factor. As already discussed, all the traits we associate with niceness are naturally selected for anyways, because niceness is one of the many ingredients that go into making a company work well and compete for the life sustaining money we feed them. In order to afford a better standard of living it helps to be nice and have a good reputation, these traits lead to more connections/‘business partners’ and so on. We just naturally rather be nice. Monkeys love to have fun and get along when there is plenty to share and so do we.

“Senator X has an extensive history of military service, he has proven himself to be someone who can make a great sacrifice for our country.” Obviously being a courageous fighter was a great show of altruism. You can definitely trust someone who is willing to risk his life for you, this was great back in the day, but it has little to do with the ability to give an efficient order to the millions of public servants that presidents/congressmen believe they oversee. Even if a moral and incorruptible leader is chosen and he immediately weeds out corruption and ill intent in a few layers below him, this is still nothing compared to the layers upon layers of delegation which are parts of our modern government bureaucracies. And this still misses the main point, it comes naturally for us to think that things don’t get done well due to corruption and the unproductive and selfish vices inherent in man, but this is not the main reason why government does not work. Government does not work because it is a forced monopoly. It lacks the competitive knowledge discovery mechanism that the market process provides in the private sector that inevitably leads to tremendous inefficiencies in the public sector, not to mention opportunities for outright corruption.

“Senator X has led many ‘bipartisan’ efforts before, therefore he has earned the respect of other men and will succeed in the collective action and unity needed to get things done.” In our tribal days, elders and people who have lived long lives and created a rich network of friendships intertwined by favors, and felt sort of connected to the many families and nearby tribes were important in securing the necessary cooperation of many people to carry out the many tasks that required a significant proportion of the population(war/migrations/dispute resolutions). But when it comes to the tasks our modern governments embark upon, no matter how much respect and friends, or ‘bipartisan’ support this person might have, it will not make the slightest difference when it comes to giving a productive order to the millions of employees that the government manages, or improve the workings of the private sector via regulations.

Again, in our simpler tribal past, even the most complicated and daunting of tasks involved at most the organization of the entire clan which was a relatively small number, say 25-150 people. In this type of scenario, the unity and common purpose of everyone involved must have been a crucial factor in the completion of such large-scale projects. But in the complex economies we now live in, it is impossible for a single mind or many minds to determine whether the gigantic forced restructuring that the government forces the private sector to undertake leave society better off than before. Actually, given everything we have discussed so far, we can be certain that the result will be an inferior one. But it doesn’t matter, year after year, we keep falling for the same ideas, “if we could only focus our energies and pay that extra tax that will ensure that our schools are properly funded” we think. “If

we could all just get together and pool our resources we could make it happen". Over and over and over, being suckers for unity/'bipartisanship' we pool our resources to create gigantic government bureaucracies that just end up trading our tax dollars for cars, homes, and food for the millions of public sector employees and the private sector gets back little to nothing in return, or worse, paralyzing regulation.

In the tribal world, individual and easily identifiable human beings were responsible for getting things done. In our modern world, the demand for something, in other words, the amount of money/wealth people are willing to trade for something, which reflects their need/desire for it, provides the necessary incentives/signals for many brains to 'look for'/discover profitable knowledge that will provide the needed product/service. There is no need for a visible entity or bureaucracy to shape the social order, the social order emerges by itself. It is the market process, or Adam Smith's invisible hand that does it⁷³. Another example of our mal-adapted nature to the modern world is how most Americans will probably know the names of at least 5-10 political figures yet they cannot name 5-10 CEOs, who are the leaders of the companies that truly add wealth and help spread well-being and a productive order to the world.

Our reliance on human beings to organize our actions as opposed to the market process also clearly manifests itself in the hero-worship of politicians. This is especially visible in more full blown communist countries like Cuba(Castro), Venezuela(Chavez), North Korea(Kim Jong-il), and the former USSR(Lenin,Stalin) and China(Mao) where large banners and parades idolize their respective leaders. Since we are all equally human and susceptible to such hero-worship, many of us do the same here in the US. There can be no doubt that our previous supreme leader George W. Bush had plenty of die-hard followers who idolized him. All we care about are good intentions, trustworthiness and someone who is part of and loyal to our tribe. George W. Bush prays to God often for guidance, he talks to religious leaders, he feels like he is a good person and that he is doing good for mankind by waging the battle of 'good' vs. 'evil', and that to his brain, and that of many Americans, there is 'evil' in the middle east. That it is concentrated in places like Iran, Iraq, Syria and so on. And that if we kill the 'evil' people, then we will have 'good' "freedom loving" people left over and all of our problems will be solved. Oh boy, we are in trouble, more on ideology and the Middle East later.

So every four years in the US millions get excited about choosing their leader, we become volunteers in political campaigns, willing to make great sacrifices to make sure that honest and great men who will not be "swayed by power" are put in power so that they can properly enforce equality, and honestly lead the nation towards a visible and much sought after common purpose, whatever it might be. It is as if all of our problems could be solved via unity and hard work, and one obviously needs a leader that everyone will get behind with, and this is why inevitably we fall prey to charismatic leaders and the dictatorships that follow. All of this happens not out of "evil", it is our human nature imposing itself on the modern human ant-farm.

The politician has two choices, either force everyone via taxes or regulations to go along with the master plan that is needed to solve our problems(health care, education, the usual. . .), or do nothing, which according to his thinking, and that of the masses that put their faith in him, will lead to

things getting worse and social collapse. “Obviously” “something needs to be done”. He has to act and chooses the lesser of the two evils which is to force people into acting towards “the plan” that will make things better. The people who do not want to go along have to be forced or else the master plan dissolves into chaos and cannot meet its goal and society collapses in the eyes of the fearful public. These are the “tough choices” that our great leaders make that require “exceptional men” with great “political willpower”.

The moral justification for forcing the dissenters to go along can come from many sources. The democratic leader has the backing of those who voted for him and also believe that it is necessary that the dissenters contribute to the master plan. Most people believe that democracy is the best we can do, which means that once the decision has been made by an elected body, then everyone has to go along with “the plan” of the elected leaders, so even people who disagree with the plan put up little resistance.

Again, governments are neither good nor evil, whatever good or bad they do, for the most part is a reflection of the ideologies of the public at large.

Every decision simply expands the size of government leading to a bigger need to take even more resources from the private sector which makes things worse, until things are so bad and our egalitarianism so strong that we put our power in the charismatic leader that can finally take all the wealth from the halves to give it to the have-nots or finally get everyone working together to implement the “master plan” that will fix all the problems. Our democracies begin to seem to slow. If we feel like we need our leaders to act quickly to prevent further calamities, all of this voting and bureaucracy just gets in the way, our leaders are good people, with good intentions, the hell with democracy!, we just want to give them the power to do what seems like the obvious solution (take or regulate). It seems fitting to quote Hayek’s 1946 classic “The Road to Serfdom”. In one of its most celebrated chapters entitled “Why the Worst Get on Top” Hayek mentions:

“We must here return for a moment to the position which precedes the suppression of democratic institutions and the creation of a totalitarian regime. In this stage it is the general demand for quick and determined government action that is the dominating element of the situation, dissatisfaction with the slow and cumbersome course of democratic procedure which makes action for action’s sake the goal. It is then the man or the party who seems strong and resolute enough “to get things done” who exercises the greatest appeal. “Strong” in this sense means not merely a numerical majority –it is the ineffectiveness of parliamentary majorities with which people are dissatisfied. What they will seek is somebody with such solid support as to inspire confidence that he can carry out whatever he wants. It is here that the new type of party, organized on military lines, comes in.” (Hayek F. A., 1994, p. 150)

On President Obama’s October 29th, 2011 Weekly Address video he mentioned that “We can’t wait for Congress to do its job. . . So where congress won’t act, I will”⁷⁴ Texas congressman Dr. Ron Paul rightly reacted to Obama’s use of “executive orders” to implement his ideas without congressional approval by mentioning that it “brings the modern presidency dangerously close to an elective dictatorship”. So anyways, as Hayek predicted, this is the natural direction that increasing government involvement in the economy leads to.

The public not only believes that we need a benevolent dictator; the system naturally selects him for us. A confident fool will sway more minds than a doubtful and considerate genius. It is the man who thoroughly believes that he has the right “master plan” and great group of friends, that carries himself with the needed confidence to sway and inspire the public. As Bertrand Russell put it “The trouble with the world is that the stupid are cocksure and the intelligent are full of doubt.”

Therefore, our democracies eventually become dictatorships, and then we blame the dictators, lick our wounds, and go back to democracy, which leads to new dictators and on and on. As Maybury tells us: “The Latin nations still ride a pendulum that swings every few years from dictatorship to democracy and chaos, then back to dictatorship, and so on.”⁷⁵

So this concludes the chapter on government. Although I hope that if the reader has made it this far it should be obvious to see how drastic cuts in government and a large move towards privatization would be a great boost to mankind, let us now briefly discuss how government as we know it could be greatly privatized and some of the great benefits that this would bring.

¹ Ker Than, “U.S. Lags World in Grasp of Genetics and Acceptance of Evolution” http://www.livescience.com/health/060810_evo_rank.html

² <http://www.fff.org/freedom/0401f.asp> . This is a link to Dr. Ralph Raico’s great series of essays titled “FDR – The Man, the Leader, the Legacy” where the quote can be found.

³ Copyright 2004 by Richard J. Maybury. Reprinted with permission of Richard J. Maybury and Bluestocking Press (www.BluestockingPress.com) from Whatever happened to Justice, revised edition, copyright 2004, (pages 115-116).

⁴ See Dr. Paul H. Rubin’s “Darwinian Politics” ISBN 0-8135-3096-2 page 89. To my knowledge, this is one of the best books out there that discusses how our tribal evolutionary past reacts negatively with our modern world.

⁵ According to economist Gary North: “Not counting local taxation, I discovered that the total burden of British imperial taxation was about 1% of national income. It may have been as high as 2.5% in the southern colonies.” Wow! What would they have done today? Soon after Americans got rid of the British government and established their own, they would end up paying far more in taxes. Gary’s article from where quote was taken makes a great case against ever leaving the British Empire. See his article titled “Tricked on the Fourth of July” published on July 4th, 2011 <http://lewrockwell.com/north/north1002.html>

⁶ http://www.youtube.com/watch?v=f6q_0-krUo

⁷ <http://tinyurl.com/39qfqi> “U.S. spends average \$8,701 per pupil on education” Reuters .May 24, 2007

⁸ “NYC to stop paying teachers to do nothing in 'rubber rooms’” by Karen Matthews from Associated Press. 4/16/2010

⁹ Michael Antonucci, Tribute for a Light: Public Education Finances and Staffing(Washington ,DS: Education Intelligence Agency, May 2001)

¹⁰ See Stephanie Fitch’s article “Gilt-Edged Pensions” on www.forbes.com <http://www.forbes.com/forbes/2009/0216/078.html>

¹¹ I ran into this example in Ron Paul’s book “The Revolution: A Manifesto”

¹² Article titled “Ecorse” by Greg Kaza and Dr. Gary L. Wolfram, June 1, 1989 available here : <http://www.mackinac.org/article.aspx?ID=6249>

This article shows how Ecorse, Michigan was saved from bankruptcy and ruinous taxes by introducing some privatization to break up the public sector monopoly of many services. In this radio interview (<http://www.youtube.com/watch?v=8hmo8C2AAs4>) with Louis Schimmel who implemented the privatization measures in Ecorse, we also learn that he later implemented similar reforms in Hamtramck, MI.

¹³ <http://goo.gl/YVlbn>

¹⁴ <http://goo.gl/UqvKL>.

¹⁵ Ronald Bailey’s article from Reason Magazine titled “2005 Medical Care forever” <http://www.reason.com/news/show/34979.html>

¹⁶ Marc Kaufman and Rob Stein’s Washington Post article “Record Share of Economy Spent on Health Care” <http://tinyurl.com/d79tp>

¹⁷ <http://www.microsoft.com/learning/mcp/certified.mspx>

¹⁸ http://www.aae.org/News_Room/Fact_Sheet.aspx They mention how Americans prefer their own teeth, but I was not able to find any stats or evidence of that being better.

¹⁹ This sort of thing happens in other industries or branches of knowledge that are hard to test. For example, theoretical physics, cosmology and stuff like that. Scientists in these fields are always coming up with scenarios that might make for cool looking and awe inspiring TV specials but are grounded on pure speculation based on little to no evidence. The great physicist Richard Feynman said that “It is safe to say that nobody understands quantum mechanics” yet you have countless PhDs living a great life in public universities daydreaming about parallel universes and all kinds of stuff that is probably 100 times more abstract or tied to reality than quantum mechanics which seems to have proven its case to various degrees.

²⁰ “Minimum Wage Cruelty: Update” by Walter Williams,

<http://jewishworldreview.com/cols/williams052610.php3>

²¹ D.W. MacKenzie’s mises.org “Daily article” of 5/3/2006 titled “Mythology of the Minimum Wage” <http://mises.org/story/2130>

²² Dr. Lawrence W Reed’s essay “Child Labor and the British Industrial Revolution” from book titled “The Industrial Revolution and Free Trade” isbn 1-57246-057-1 page 64, also available online here:

<http://www.mackinac.org/article.aspx?ID=3879>

²³ Robert Hessen, “The Effects of the Industrial Revolution on Women and Children,” in Ayn Rand, *Capitalism: The Unknown Ideal* (New York: New American Library, 1967), p, 106.

²⁴ Dr. Lawrence W Reed’s essay “Child Labor and the British Industrial Revolution” from book titled “The Industrial Revolution and Free Trade” isbn 1-57246-057-1 page 64.

²⁵ Kristof, Nicholas D. “Where Sweatshops Are a Dream” Jan 14th 2009. The New York Times. <http://www.nytimes.com/2009/01/15/opinion/15kristof.html>

²⁶ Alice Dembner, “Kennedy to Propose Universal Health Care,” Boston Globe, January 22, 2004.

²⁷ Alan J. Borsuk, “Kerry Vows to Fight for Health Care,” Milwaukee Journal-Sentinel, September 14, 2004.

²⁸ from his old senate website at <http://goo.gl/Mbxn3>

²⁹ John Carey “Do Cholesterol Drugs Do Any Good?” Business Week Jan 17, 2008 http://www.businessweek.com/print/magazine/content/08_04/b4068052092994.htm

³⁰ Ibid.

³¹ This section heavily borrows from and was inspired by Michele Boldrin's and David K. Levine's book "Against Intellectual Monopoly"

³² Ibid.

³³ Ibid. Page 222 . The quote by Scherer, Boldrin and Levine mention as coming from Schercher, F.M. (2003), "Global Welfare in Pharmaceutical Patenting," mimeo Haverford College, December.

³⁴ Ibid. Page 193.

³⁵ Ibid. In the footnote Boldrin and Levine mention "Information about the 1959-1961 Kefauver Committee leading, among other things to the Kefauver-Harris or Drug Efficacy Amendment of 1962, is abundantly available online. This committee is not to be confused with the more famous one by the same name, but of 1950-51, which investigated organized crime in the USA. For an introduction to some of its economic aspects, see Comanor(1966) or the more recent survey Comanor(1986).

Comanor, W.S. (1966), "The Drug Industry and Medical Research: The Economics of the Kefauver Committee Investigations," *The Journal of Business* 39, 12-18.

Comanor, W.S. (1986), "The Political Economy of the Pharmaceutical Industry," *Journal of Economic Literature* 24, 1178-1217.

³⁶ Ibid. Page 230

³⁷ Aero Club of America Bulletin, Sept. 1912 <http://www.lilienthal-museum.de/olma/el2127.htm>

³⁸ Ibid.

³⁹ From pbs.org "Tesla. Master of Lightning" http://www.pbs.org/tesla/ll/ll_whoradio.html

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Bill Gates, "Microsoft Challenges and Strategy," memo, May 16, 1991.

<http://antitrust.slated.org/www.iowaconsumercase.org/011607/0000/PX00738.pdf>

⁴³ For a discussion on both Northern and Southern inflation during the war see Chapter 3 of "Tariffs, Blockades, and Inflation: The Economics of the Civil War" by Mark Thornton and Robert B. Ekelund Jr.

⁴⁴ <http://research.stlouisfed.org/fred2/data/M2.txt>, below are the last 6 weeks worth of data gathered on Dec 23rd 2008,

2008-10-27	7877.5
2008-11-03	7877.7
2008-11-10	7907.7
2008-11-17	7931.8
2008-11-24	7959.0
2008-12-01	7988.5
2008-12-08	8062.4

⁴⁵ <http://www.federalbudget.com/>

⁴⁶ Unless of course you were *lending* the bank the money in which case it would be ok for the bank not to have it temporarily, but we are not dealing with that case, we are dealing with depositing money which the depositor expects he can get back at any time. These sorts of deposits are also referred to as '*demand deposits*' because they are deposits which the depositor can expect to have back at any moment *on demand*.

⁴⁷ These numbers come from a great interview of Kyle Baas by the BBC <http://goo.gl/3L13s>

⁴⁸ <http://goo.gl/C60Qg>

⁴⁹ <http://youtube.com/watch?v=wiCAJ8ULnaI> Here is just one example of many Jiffy Lubes getting busted. In this story 5 out of 9 shops charged for work they did not do.

⁵⁰ Spencer, Herbert. Essay titled "From Freedom to Bondage" 1891

⁵¹ Dom Armentano's article titled "Putting Government on a Diet: 1945-1950" December 4, 2010 <http://www.lewrockwell.com/armentano-d/armentano25.1.html>

⁵² [Congressional Record: April 15, 2011 (House)] [Page H2903-H2908] <http://goo.gl/F8U0A>

⁵³ See Murray N. Rothbard's "Keynes, the Man" <http://www.mises.org/etexts/keynestheman.pdf>, also this wonderful comparison of Keynes and Henry Hazlitt by Lew Rockwell, <http://mises.org/daily/5001/Hazlitt-and-Keynes>

⁵⁴ <http://tmh.floonet.net/articles/foregt.html>

⁵⁵ John Maynard Keynes, The General Theory of Employment, Interest and Money. Last paragraph.

<http://www.marxists.org/reference/subject/economics/keynes/general-theory/ch24.htm>

⁵⁶ <http://www.federalreserve.gov/boardDocs/speeches/2002/20021121/default.htm>

⁵⁷ <http://tinyurl.com/2r5kktk> From Krugman's NYT blog entry on January 29th titled "An Iraq Recession"

⁵⁸ Here is a great talk by Robert Higgs and Walter Block on the subject of what got us out of the Great Depression http://mises.org:88/4_HMC_QA

⁵⁹ <http://www.lewrockwell.com/blog/lewrw/archives/89288.html>

⁶⁰ For overview of results see <http://www.economicpolicyjournal.com/2011/05/krugman-ranked-favorite-living.html>, for actual survey see http://econjwatch.org/file_download/487/DavisMay2011.pdf

⁶¹ <http://www.youtube.com/watch?v=ZjMQG3qUFKo>

⁶² For the debunking of 5 popular myths related to the perceived inadequacy of the gold standard see Ron Paul's statement before congress on Feb 25th 1981 titled "Five Myths About the Gold Standard" available here:

<http://www.dailydave.com/104399/ron-paul-five-myths-about-the-gold-standard-1981>

⁶³ See (Huerta de Soto, pp. 808-9) also freely available here <http://www.mises.org/books/desoto.pdf>.

⁶⁴ Paul, Ron. Speech titled "The Bubble" from his new book "Pillars of Prosperity" isbn 978-1-933550-24-4 Published by the Ludwig von Mises Institute www.mises.org Page 183

⁶⁵ http://www.constitution.org/mon/greenspan_gold.htm

⁶⁶ http://www.youtube.com/watch?v=kh6EHP7g-Mg&feature=channel_video_title. Video was added Mar 21, 2011

⁶⁷ Jim Cox's The Concise Guide to Economics is an awesome introduction to economics with great bits of history and is freely available online at <http://www.conciseguidetoeconomics.com>. Below is link to great bite sized overview of 1929's black Tuesday where the market crashed and is commonly regarded as the beginning of the Great Depression

<http://www.conciseguidetoeconomics.com/book/blackTuesday/>

⁶⁸ Herman E. Krooss, *Executive Opinion: What Business Leaders Said and Thought on Economic Issues, 1920s-1960s* (Garden City, N.Y.: Doubleday and Co., 1970), p. 200.

I originally found this quote on Robert Higg's excellent "Neither Liberty Nor Safety: Fear, Ideology, and the Growth of Government"

⁶⁹ See (Best, p. 143), refers to Morgenthau Diary 1-4-1937, Roosevelt Presidential Library.

⁷⁰ Robert H. Reid "Over 30 Killed in Iraq Insurgent Attacks", Associated Press, November 6, 2004

⁷¹ Karen Kwiatkowski's article in Salon.com titled "The new Pentagon papers: A high-ranking military officer reveals how Defense Department extremists suppressed information and twisted the truth to drive the country to war." http://dir.salon.com/story/opinion/feature/2004/03/10/osp_moveon/index.html

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⁷³ Adam Smith mentions his famous 'invisible hand' and more below:

"every individual necessarily labors to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an **invisible hand** to promote an end which was no part of his intention. Nor is it always the worse for the society that it was not part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it."

⁷⁴ <http://www.youtube.com/watch?v=YV6rb5LuExI>

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VI. Privatization

Can we privatize everything? The artificial selection of superior laws and order

If privatization/competition/'the market process' are the best way to discover and spread superior knowledge and social order, why not allow the privatization of things like courts, law enforcement, defense and everything that we come to expect from government? Why should an inevitably inefficient and tribal minded government monopoly be the only way in which such services can be provided? Why should people not be allowed to buy land and sort of establish their own private kingdoms or cities as well?

Imagine if people could own large chunks of land and have complete sovereignty or freedom as to what laws/rules people should obey in them. They would be free to design the roads and transportation systems and everything about them. Today, the knowledge of how to plan a city, what laws/rules we should follow, what should be the repercussions of breaking such rules/laws, how to design a transportation system and so much more comes about the bureaucratic-monopolized-politicized process that shapes the inefficient public sector. By allowing people the freedom to create such cities we introduce competition in these areas which will discover superior laws/rules, ways to build transportation systems, ways to deal with people who break the rules and so on. If people wanted to move to such cities they would just sign a contract saying that they would abide by its rules, *which is no different than what we do today when we move to a new country*, which is just agreeing to abide by certain rules. This is similar to choosing product A over product B. In this case people are selecting one set of laws/rules over the other, nourishing a better social order while starving an inferior one. They vote for a better system with their feet.

Think about a small country like the island nation of Grenada. Grenada has about 110,000 people living in an area of about 130 square miles and its social order produced about 1.1 billion dollars worth of wealth in 2007. Like all modern nations its government has a monopoly on law enforcement, courts, defense, and many other services. Microsoft, Wal-Mart, and IBM coordinate about 90,000, 2,100,000 and 400,000 employees respectively and in the year 2008 had a combined productive output of about 500 billion dollars worth of wealth. If allowed, isn't it obvious that the aforementioned companies or similar private sector orders, whose employees count among the world's hardest working and best educated minds, would be better able to manage a similarly sized social order than the Grenada bureaucrats? Of course they would, and a *similar* line of thinking should apply to social orders of any size.

Complete privatization, or a world without government as we currently know it might seem like a weird or shocking concept at first but upon closer examination its tremendous benefits and feasibility should become obvious. Take the provision of law enforcement for example(or any municipal service). Police departments are city-wide government monopolies, which like all monopolies, immune from competition due to government decree and economic ignorance grow to become gigantic consumptive

bureaucracies. For example¹, California prison guards can earn upwards of \$300,000 per year due to lucrative overtime pay.¹ A police commander in Delray Beach, Florida, was making \$90,000 per year when he retired at the age of 42 after working for 21 years. He got a \$65,000 per year pension that is guaranteed for life, adjusted for inflation, and includes medical care.² If we assume he dies at 82 years old, he would have worked for only about a third of his adult life and Florida taxpayers would have paid an additional \$2.6 million plus medical expenses while getting nothing in protection services in return. There is nothing wrong with making a lot of money when one creates a lot of wealth and then trades such wealth in the free market, where competition ensures that the way such wealth was created is efficient, and is usually part of a profitable cycle that leaves the economic pie larger. But these people's wages are not reflective of superior knowledge and productivity, they are reflective of the evolution of a political system dominated by self-serving unions and ignorant or flat-out corrupt politicians who find cleverer and more subtle ways to tax the public and believe that no price is too high to pay for such vital services. So how can privatization and competition be introduced in law enforcement and other sectors which we are so used to associating with inherently inefficient government monopolies?

A Look at Our Current Judicial and Penal Systems

Before answering this question, a few things about the state of America's legal and prison system should be brought to mind. According to the US's Bureau of Justice Statistics(BJS), for the year 2007³ inmate sexual assault is at a point where:

“An estimated 60,500 inmates (or 4.5% of all State and Federal inmates) experienced one or more incidents of sexual victimization involving other inmates or staff.”

“Among the 10 facilities with the highest overall prevalence rates, 3 had prevalence rates of staff sexual misconduct that exceeded 10%.”

Another BJS study added 25,000 sexual assaults that took place in local county jails within six months prior to the date of the survey. With respect to these statistics Justdetention.org's "Fact Sheet" mentions that :

“Unfortunately, the data provided by the BJS still represent only a fraction of the true number of detainees who are victimized, especially of those held in county jails. The number of admissions to local jails over the course of a year is approximately 17 times higher than the nation's jail population on any given day, so the BJS surveyors were able to cover only a very small proportion of jail detainees over an entire year.”⁴

They also cite research⁵ that estimates that about 20% of inmates are victims of sexual assault when one takes into account their entire prison stay, not just a yearly sample as the 2007 study does. I personally feel like these sexual assault statistics are somewhat overblown but nonetheless I've decided

¹ Last chapter's section "The Public Sector vs. The Market Process. The wisdom of Herbert Spencer" has more examples of public sector inefficiencies.

to mention them.

If the BJS' statistics show an accurate portrayal of what our prison system is like, wouldn't sending someone to such a system where one out of twenty inmates will experience "one or more incidents of sexual victimization involving other inmates or staff" violate the U.S. Constitution's 8th amendment which reads "Excessive bail shall not be required, nor excessive fines imposed, **nor cruel and unusual punishments inflicted.**"?

Referring to the Texas prison system, in 1999 Judge William Wayne Justice states:

"The evidence before this court revealed a prison underworld in which rapes, beatings, and servitude are the currency of power. Inmates who refuse to join race-based gangs may be physically or sexually assaulted. To preserve their physical safety, some vulnerable inmates simply subject to being bought and sold among groups of prison predators, providing their oppressors with commissary goods, domestic services, or sexual favors. The lucky are those who are allowed to pay money for their protection. Other abused inmates find that violating prison rules, so that they may be locked away in single cells in administrative segregation, is a rational means of self-protection, despite the loss of good time that comes with their "punishment." To expect such a world to rehabilitate wrong-doers is absurd. To allow such a world to exist is unconstitutional."⁶

To this one should add the tens or perhaps hundreds of thousands of innocent people behind bars or on parole.

In the year 2000, Illinois Governor George Ryan put a moratorium on his state's death penalty because since the reinstatement of the death penalty in 1977 12 people had been executed while 13 others waiting to be executed were found to be wrongfully convicted and freed.¹

When one thinks of our judicial system, the images of a trial by jury and various safeguards to protect the innocent come to mind, but our justice system is far from this. About 95% of convictions are arrived at, not through a trial, but through plea bargaining, a process whose incentives lead many innocent people to plead guilty to crimes they did not commit. For example, Erma Stuart and Regina Kelly of Hearne Texas were among 27 people arrested due to the testimony of a jail snitch who was eventually found to have been lying to prosecutors when trials began about 5 months *after* Erma and Regina were originally apprehended. Regina was able to post bail and go home to her family during these 5 months but Erma Stuart, not being able to make bail and not wanting to be in jail and away from her sick children for months while waiting for the trial, decided to give in to her public defendant's advice of accepting a plea for 10 years of probation. Actually, according to her testimony in the documentary she had told her lawyer that she would agree to

¹ This does *not* mean that there is almost a 50/50 chance that someone who got executed might have been innocent. In 2003 Ryan commuted to life terms the sentences of Illinois' 167 death row inmates, so the real chances of an innocent person being executed in Illinois at the time was closer to 13 out of *about* 167 or 8%.

plead guilty to 5 years of probation but the lawyer represented her as agreeing to 10. The lawyer whose name was on the plea agreement could not even remember having represented her. If Erma would have been able to post bail or give up 5 months of her life and time with her kids, the charges against her would have been dropped as they were against Regina who was able to post bail and *contrary* to her public defendant's advice decided not to plead guilty.

Thousands of innocent people have to decide between: the possibility of spending weeks or months in jail while awaiting trial if they cannot post bail, expensive legal defense, the significant probability that a jury might still find them guilty, sexual abuse at a county jail, tremendous stress and fear, etc.; or pleading guilty to a smaller sentence, which often times means going home that day on probation. This is a situation that inevitably leads to many innocent people pleading guilty to crimes that they did not commit.

Our system has evolved, not to seek justice, but to quickly process the large amount of "criminals" that our laws and economic incentives create, most notably, minimum wage laws which make it much harder for the least educated and productive to find employment and thus turn to a life of crime to survive⁷; and the drug war, whose artificially high prices for drugs inevitably lures many, especially poor people, to enter the illegal drug business. Judges like pleas because they help them clear their dockets thus giving the impression that they are using tax payer's money efficiently, prosecutors like them because they get a high conviction rate which makes them look good at punishing the "bad people", public defenders like them because they too are under pressure to provide defense cheaply. Professor of Law at New York University Stephen Schulhofer mentions that "*The public believes that every criminal defendant has a right to the effective assistance of counsel, and that is just so far out of touch with reality, it's hard to even begin describing it.*"⁸ Professor of Law and director of the Southern Center for Human Rights Steven Bright mentioned that:

"It's not unusual for lawyers who handle a high volume of cases to not know their client's names. I go to courtrooms all the time where you see the defense lawyers coming in and they'll stand up in the front of the courtroom and call the names of their clients because they don't know who the clients are and ask them to raise their hand"... "It doesn't matter that the lawyer may be conscientious, it's just that the system makes it impossible for that lawyer to do his or her job. People may be not guilty, people may be guilty of some less serious behavior than what they are accused of. Many of the people that come into the court system are mentally ill, may have been put up to it by somebody else, a lawyer won't know any of that... One reason why a lot of people plead guilty is because they are told they can go home that day, because they'll get probation. What they usually don't take into account is that they are being set up to fail."⁹

They are "being setup to fail" because people on probation have to pay fines, court charges, probation fees and for "treatment" programs (mostly useless psychobabble) that they must attend, all of which constitute a sizable source of revenue for local governments and can be a significant burden on the very poor. As attorney Paul Nugent¹⁰ summarizes:

"There are all these programs you're ordered to participate in, there's counseling for this and this and this program and they all cost. This one costs \$40 a week and this one costs \$70 a month and this one costs \$22 per visit. ... It's an industry. It's a multi-billion dollar industry in Texas alone. Some of these programs may be legitimate, some of them aren't. ... These aren't necessarily

programs offered by the probation department, they're private programs. It's an industry that has sprung up around probation, and in many instances, I think it's abused. Nobody's really monitoring these programs. I'm sure some of them are less than what they're billed as."¹¹

According to The Innocence Project, some of the leading causes of judicial miscarriage are:

1) Eyewitness misidentification: "Eyewitness misidentification is the single greatest cause of wrongful convictions nationwide, playing a role in more than 75% of convictions overturned through DNA testing."¹²

2) Unvalidated or Improper Forensic Science: "In more than 50% of DNA exonerations, unvalidated or improper forensic science contributed to the wrongful conviction."¹³ In 1927 the well-known phrenologist¹ Edgar Beall testified against Ruth Snider, who had been accused of murdering her husband. Beall—whose expert witness-testimony was treated as fact—noted that Snider's chin "tapered like the lower face of a cat," and based on the shape of her face, pronounced her a woman of "murderous passion and lust." (Vollen & Eggers, p. 411) Things have improved but...

In the trial of Randall Dale Adams² psychiatrist Dr. James Grigson spent a few minutes interviewing Randall, asked him to make some drawings, and based on this brief interaction testified that Randall was a dangerous man who would likely kill again. Dr. Grigson was known as Dr. Death because his "expert" psychiatric testimony helped send over 100 people to death row including other innocents like Kerry Max Cook(see footnote 38). The government's forensic labs are also too often plagued by incompetence and corruption. Fred Zain failed organic chemistry in college and flunked an FBI course on forensic sciences, "His assistants said he would make statements about evidence based on slides that had nothing in them." (Scheck, Neufeld, & Dwyer, p. 147) A sampling of 36 cases he had worked on during 10 years showed that he had faked data in every case. According to Sheila Berry, director of Truth in Justice "Fred Zain became something of a forensics 'star,' sought after by prosecutors who wanted to win convictions in difficult cases" (Vollen & Eggers, p. 412). George Castelle, a senior West Virginia public defender mentioned that "Zain was a prosecutor's dream...If he needed blood or semen to match, Zain matched it. If the prosecutor didn't want to match skin or hair samples, they didn't match."¹⁴ Fred Zain is not a solitary rotten apple which stank during a nearly 30 year long career. There has to be an environment in which the apples can rot and do so for so long. A 1985 survey found that 79 percent of all laboratories were part of a police or prosecutorial agency (Scheck, Neufeld, & Dwyer, p. 158) thus easily creating perverse incentives in favor of the prosecution. From the book "Surviving Justice" we learn that:

"Bad science, however, is not simply about corrupt, renegade "experts." Sometimes the system itself becomes infected. In December 2002, a Houston Police Department crime lab was shut down following an audit. Ensuing

¹ Phrenology is a theory stating that the personality traits of a person can be derived from the shape of the skull. This is pseudoscience, nonsense.

² Randall was found to have been wrongly convicted of the murder of a Dallas cop, served more than 12 years, and came within 72 hours of being executed.

investigations revealed scientific ineptitude of considerable proportions, involving every lab technician and affecting hundreds of individual cases. So far, two men have been exonerated. Hundreds more, including several death row inmates, currently await DNA retesting. “There were two different problems with the crime lab,” says David Dow, a University of Houston law professor, “scientific incompetence and corruption. That’s a deadly combination.” Harris County, where Houston is located, leads the nation in sending people to death row. While most agree that the fiasco at this laboratory was exceptional, many also believe that such problems are not unique to Houston. “Similar troubles are evident in other crime laboratories,” observes an August 2004 *New York Times* article. “Standards are often lax or nonexistent, technicians are poorly trained and defense lawyers often have no money to hire their own experts.” Currently only three states—New York, Oklahoma, and Texas—require crime labs to be accredited by outside agency.”

3) False Confessions: “In about 25% of DNA exoneration cases, innocent defendants made incriminating statements, delivered outright confessions or pled guilty.” Some of the reasons why people falsely confess are coercion, intoxication, diminished capacity, mental impairment, ignorance of the law, fear of violence, the actual infliction of harm, the threat of a harsh sentence, misunderstanding the situation. For example, on July 7th 2009, Ronald Kitchen¹⁵, a black man from Illinois, was released after a wrongful murder conviction that included a confession of guilt which was tortured out of him by the white police establishment headed by Jon G. Burge, who is now in trouble with the law for allegedly torturing more than 200 suspects in order to obtain confessions from them from 1972 to 1991. No wonder Illinois Governor George Ryan found so many innocent on death row!

4) Government misconduct: In addition to forced confessions as occurred with Ronald Kitchen, other common examples of government misconduct are things like suppressing exculpatory evidence that would free or help the defendant, deliberate suggestiveness in identification procedures where the prosecution tries to sway or influence witnesses, fabricating evidence, intimidating witnesses and making deals with jail snitches or informants in order to gain their testimony against the defendant in exchange for reduced sentences or freedom without telling the defense. People really have no idea just how prevalent government misconduct is. For example, Stephan Anderson, a former New York police detective, has testified saying that planting drugs on innocent citizens, a practice known as “flaking”, was a common occurrence for NYPD officers to meet their quota for arrests. When asked by the judge “Did you observe with some frequency this ... practice which is taking someone who was seemingly not guilty of a crime and laying the drugs on them?” Anderson replied “Yes, multiple times” and also mentioned that “It was something I was seeing a lot of, whether it was from supervisors or undercover and even investigators”¹⁶ Mr. Anderson is NOT a single rotten apple, he is simply part of a culture and a bureaucracy that inevitably shapes such individuals. Can you guess how many young black men have been placed behind bars by racist cops who thanks to the drug war can make criminals out of anyone with tremendous ease?

5) Bad lawyering: “The resources of the justice system are often stacked against poor defendants. Matters only become worse when a person

is represented by an ineffective, incompetent or overburdened defense lawyer. The failure of overworked lawyers to investigate, call witnesses or prepare for trial has led to the conviction of innocent people. When a defense lawyer doesn't do his or her job, the defendant suffers. Shrinking funding and access to resources for public defenders and court-appointed attorneys is only making the problem worse...The exoneration and release of Jimmy Ray Bromgard from Montana prison provides a sobering view of the effects of inadequate or incompetent counsel. Bromgard, arrested when he was 18, spent 15 years in prison for the brutal rape of an eight-year-old girl, a crime post-conviction DNA testing proved he did not commit. Bromgard's trial attorney performed no investigation, filed no pre-trial motions, gave no opening statement, did not prepare for closing arguments, failed to file an appeal, and provided no expert to refute the fraudulent testimony of the state's hair microscopy expert. Other than the forensic testimony and the tentative identification, there was no evidence against Bromgard."¹⁷

In a short video that goes over Ronald Kitchens' saga¹, Carolyn Frazier, a lawyer who helped Ronald, said *"One thing he(Ronald) was asked was "How does this make you feel about the system? Does the system work? And he said "maybe it works for some people" and I think he recognized that there was an incredible, incredible amount of resources put behind him... that's part of what tells us that the system does not work...such and incredible amount of human power. 60 students, over 9 years, two major law firms, tons of resources from the clinic, and most people don't get that"* Dealing with the justice system is very expensive and time consuming. Lawyers are very expensive due to the aforementioned government licensing, and the courts, being a very slow moving bureaucratic monopoly can take many months to reply to the various steps in a labyrinth needed to rectify a wrong. Roland and others like him are simply lucky that their cases reached the few organizations that have enough resources to plow through the bureaucracy. Most people who are wrongly convicted(or falsely plead guilty) to less severe crimes and have smaller sentences have little chance of getting enough help to overturn their convictions.

After much effort and bureaucratic resistance, 27 states, the federal government, and the District of Columbia have passed laws to compensate people who were wrongfully incarcerated. This does not mean that after being released due to wrongful conviction the state writes you a check, in some instances it might mean that you are allowed to sue the state for money, or jump through more hoops to get money, hoops that can take a long time to jump and be expensive as well. What about the other 23 states? The fact that it has taken so long for state criminal systems to offer to pay up for their mistakes and that there are still 23 states that don't offer any compensation is an obvious sign of how hard it is to change the judicial/penal monopoly.

Privatizing Everything: The Big Picture

So how can the judicial and penal system or everything else be

¹ <http://www.youtube.com/watch?v=HESw5To3Qa0>

privatized?¹

A fully privatized world should not seem so shocking when one realizes that our world as it currently works can already be seen as being privatized. By simply seeing each country's government as a private corporation that has a rightful monopoly in the provision of everything the government does like courts, roads, law enforcement and national defense, we can already see the world as being 100% privatized. Each country's government can be seen as a complicated set of laws that apply over a territory, *or* as a company that has a monopoly of providing law/courts/defense services over the territory it owns. It is important to realize that a company is really just a contract between individuals and the same can be said about a government. Just like corporations have their corporate bylaws where the people who create the company craft and agree to rules describing how various aspects of the company will be run, the US's government can be seen as a corporation whose corporate bylaws are described in the US Constitution and the thousands of pages of existing regulations, etc. So just like governments can be seen in a more privatized way by thinking of them as private corporations, laws can be seen as clauses in a contract.

One of the most important things to realize is that the world currently works *without* a global government. For example, when someone commits a crime and flees the country, most countries have extradition agreements with other countries that dictate how they will coordinate the transfer of suspected or convicted criminals. And even when such formal agreements do not exist, as is the case with the US and China, it is in all nations' best interest to coordinate in such matters and be seen by other nations as acting ethically. For the most part this works pretty well *and we want things to be this way*. We want "criminals" to have the option to flee to other countries because maybe they are not really criminals. What makes someone a criminal is relative to existing laws or rules. We would not want people fleeing a tyrannical government to be extradited back to their country of origin because they broke a law which most of us would consider absurd or unjust. This is one of the ways in which cultural evolution has been selecting superior laws. People have moved from oppressive societies and their bad laws to freer societies and their better laws, starving the oppressive countries of manpower and intellect, while nourishing the freer nations like the United States, helping them grow stronger which helps them spread their superior values and laws. Now, this process is far from perfect and should not be taken as an endorsement of everything the United States does. More on this later, I am only referring to this process in a general, more fundamental way.

This cultural evolutionary process has been happening blindly, but once we understand it we can use it to our advantage.

Here we should once again remind ourselves of the unintended evils of government, especially world government organizations like the United Nations. Their rules/regulations/laws are discovered via the usual mixture of human tribalism/nationalism, economic ignorance, all kinds of special interests, corruption, and so much more. **There is no competition, no**

¹ The term 'anarcho-capitalism' is often used to describe the ideology that attempts to privatize everything as will be discussed here.

voting with your feet once the laws apply to the entire world. Government stamps out competition which is the main selective process that helps us figure out what is really best for us, not just in terms of how to go about providing goods and services but what rules/laws lead to the most prosperity as well. As Hayek tells us "...selection by evolution is prevented by government monopolies that make competitive experimentation impossible." (Hayek F. A., 1989, p. 103)¹⁸

When farmers use selective breeding to create a bigger cow or ear of corn, they can be said to consciously use their knowledge of evolution to their advantage. When they breed a bigger cow, they do not know what genes or groups of them led to the bigger cow, but by selecting the bigger cow, they got the right genes without having to tinker with them. Just like a cow, society is a large organism, and in many ways the laws, customs, rules, knowledge, and regulations that it contains can be seen as genes. The way all of these things interact can be very complex and lead to results that are impossible to predict. We cannot just pass some law/rule and predict all future outcomes. For example, things like drug prohibition, appropriate age or method used to label someone a minor, and similar rules have countless unintended consequences, which might depend on the interaction with other social rules making it even harder to pinpoint how exactly each law/rule affects society. Just like changing a gene or two in an animal can lead to unexpected results as that gene interacts with many biological processes leading to who-knows-what given the complexities of an animal, so can the rules/laws of society. Just like the breeders select at the whole cow level based on simple criteria, like how much milk it produces, without knowing about the genes that achieve this, free individuals can choose to move to societies whose rules might lead to overall better results based on simple criteria without having to know how all the laws/rules/etc. lead to such a superior social order. For example, a person did not have to understand how the United States' laws and social institutions created a better society than communist Cuba in order to want to come to the US. They just looked at simple things like how much they could afford given the money they expected to earn in their jobs.

By allowing more freedom and the ability to freely manage/create entire cities or anything else, we would consciously use cultural evolution to select for superior "breeds of laws/rules" and many other things just like biologists/farmers/fishermen use their knowledge of biological evolution to grow better crops/fish.

Understanding cultural evolution and the workings of the market process has been a little harder to see than biological evolution. Thanks to modern technology we can almost see the genes and evolution happen under our microscopes, but cultural evolution, the evolution of the market process, language, law, various socioeconomic institutions and so on are not tangible things that have led themselves to easier experimentation like the biological world.

As in the case of international law and things like extradition, one can see how the global lawful superstructure that we can naively expect a global government to carry out, does not need a global government and naturally evolves from the bottom up as the various sub-units/countries/individuals

contract with each other. Private cities/kingdoms would create the same kinds of extradition contracts the way today's countries have evolved them. If some kind of cooperation is truly in the best interest of all potential cooperators, whether they'd be individuals, or large groups of them, the contractual bonds that would solidify such cooperation will naturally grow from their self-interests. Again, whenever we expect things to be done, it comes naturally for us to envision some visible and deliberately created manmade leader/coordinator/structure/bureaucracy to be the one that carries it out, and we tend to be unaware of how a contractual structure that evolves through time can lead to superior results and is in fact what sustains the modern world.

If we do allow for complete privatization, how could most people prevent practices they might abhor? For example, what would prevent some people from establishing a city/kingdom where it would be legal for adults to have sexual relations with minors? Or allow for the euthanizing of children? Or allow any other practice the majority of the population would be adamantly opposed to? In other words, how can freedom, as opposed to allowing for anything to happen which is what most people quickly conclude and fear, can actually lead to the restriction or complete abolishment of certain majority-detested actions?

There are many ways in which such restrictions could naturally evolve, so let's just imagine one possible scenario¹. Let's say that most people would be very opposed to the euthanizing of newborns. If we allow anyone to buy a piece of land and be completely sovereign over their domain, then how can we prevent this in a 100% privatized world? Assuming most people would not want people to have the freedom to euthanize newborns, when they sell their land, as part of the sale they can place a condition that specifies that such practice cannot occur. People who want to abolish this practice can also go to land owners and offer them money for the condition that such a thing cannot happen in the land, and that this condition must be included in the future sale of the land. If most people in society consider the euthanizing of newborns to be such a horrible thing it should be relatively easy and cheap for most land to eventually have such a condition built into it so that people who would want to do so would find it very hard and prohibitively expensive to obtain such land. But what if the "euthanizers" offer a lot of money for land that is being sold that does not have some pre-existing condition related to age? Although people might not want this practice to occur many will still sell if the price is right, or figure that someone else would sell anyways so why

¹ The examples I will be discussing throughout the rest of this section are very, very basic and their purpose is not to show how things would really work but to open up the reader's mind to how competition in things we associate with government monopolies would improve things. I do not want my necessarily brief examples to take away from the important lesson. For a much better treatment of how to achieve complete privatization/competition the reader should check out these classics:

"The Market for Liberty" by Morris and Linda Tannehill which can be downloaded for free from <http://www.mises.org/books/marketforliberty.pdf> . David D. Friedman's "The Machinery of Freedom: Guide to a Radical Capitalism" and "Law's Order: What Economics Has to Do with Law and Why It Matters". Bruce L. Benson's "To Serve and Protect: Privatization and Community in Criminal Justice" and "The Enterprise of Law: Justice Without the State". Dr. Benson's books also provide a great account of the history and evolution of law and justice and are solidly grounded in a Hayekian/evolutionary framework. Also Murray N. Rothbard's "For a New Liberty" available here <http://mises.org/rothbard/foranewlib.pdf>

not just accept the better offer? Would people whose actions are so detested by the majority be able to get away with it now? No. A few further and simple restrictions would make this truly impossible. People could simply refuse entrance to their territory, or to do business with anyone who comes from such lands where this sort of euthanizing (or any majority-detested practice) is allowed, *or do business with anyone who in any way shape or form does business with them*. Checkmate. By refusing to trade with anyone who is in any way shape or form connected to the “euthanizers”, they would be completely shut out from civilization in a way that would be unsustainable.

And again, for any issue that *seems* unworkable in a privatized world, all we have to do is see how it is currently handled by our governments, and think of governments as private corporations to see a possible starting solution. Any current law or regulation that truly makes sense would find itself in the contract that the people who manage the private city would expect their inhabitants or visitors to abide by. All that is needed is the freedom to secede from the existing governments, but more on this later.

Privatizing law enforcement, courts, and the penal system

Among the many benefits that a fully privatized social order would bring let's *very* briefly discuss how much better what we currently refer to as the judicial system, which helps us determine who has broken a rule/law and settle disputes, as well as the penal system, which deals with those who have broken the rules, would work.

The judicial system and its network of courts tend to be government monopolies for the simple fact that the concepts of right/wrong and justice have been traditionally associated with our nationalistic/tribal identity and religious structures that sustain it. This becomes obvious when you think about how judges have their distinctive robes and priest-like aura, and how courts are usually expensive temple-like structures. But besides this ideological inertia there is no reason why courts and their function of settling disputes has to be provided by a government monopoly. When people do business with each other, they can specify in their business dealings which arbitration agency(court) should be used should a conflict arise, as well as which one to use as a sort of “court of appeals” should either party not be pleased with the result, as well as a “final court of appeal”. Competition between arbitration agencies would lead to speedy and honest judgments and specialization. For example, real estate related business dealings would use arbitration agencies that had expertise at solving real estate related problems and the same would apply to every other industry¹⁹, as Linda and Morris Tannehill describe in their short classic “The Market for Liberty”:

“...since companies must compete on the basis of lower prices and/or better service, competition among arbitration agencies would lead to scrupulously honest decisions reached at the greatest speed and lowest cost which were feasible (quite a contrast to the traditional governmental court system, where justice is often a matter of clever lawyers and lucky accident)...Arbitration agencies would employ professional arbiters, instead of using citizen-jurors as governmental courts do. A board of professional arbiters would have great advantages over the present citizen-jury system of “ignorance times twelve.” (Tannehill & Tannehill, p. 68)

Private arbitration between businesses is actually something that is already widespread and increasingly so as dealing with public courts becomes increasingly expensive and chaotic. One should also realize that our system is largely based on **slavery**. In our system citizen-jurors are essentially enslaved. People usually have to give up anywhere from a day to weeks or months of their lives depending on the length of the trial for little pay. In the Casey Anthony trial 17 people(12 jurors and 5 alternates) were sequestered for 43 days with little contact with the outside world for fear that the frenzy surrounding the trial might influence their judgment. Most people see this as a sacrifice they proudly make because they believe it is an important social duty and crucial for the maintenance of our freedoms/etc. but this is far from the truth.

For crimes like murders, thefts, rapes, etc., where one party(the potential criminal) wants to avoid arbitration, a new protection insurance industry could arise to deal with such problems. People would get protection insurance against crime just like they do against car accidents. An insurer, say SureProtectors, would have various rates depending on the type of crime and other potential factors. For example, a basic protection insurance offering might look as follows:

	Description	Price per month
A	protection against theft or property damage with full restitution ¹ of damages up to at least \$50,000	\$5
B	protection against rape with retribution up to \$500,000	with \$50,000 bounty \$10 with \$200,000 bounty \$15
...		
F	protection against excessive fines or cruel and unusual punishments	\$1

In offering B, FastSure gives the customer the option to pay more in order to offer a higher bounty to better lure/incentivize professional detective agencies or anyone else to come up with information that helps find the rapist. This sort of freedom to choose and to channel money into different types of crime protection allows society to optimally allocate its wealth. There is only so much wealth in the world, how much of it goes to sustain people who make cars, or planes, or pizzas is calculated by the freedom of billions of minds to sustain each of these activities by trading a proportion of their wealth for them and the same applies to crime prevention and which type of crime to prevent. A 90 year old man would have a very small chance of being raped, thus a small amount of money, in other words, a small price for this type of insurance paid by many elderly would accumulate a large enough amount to go after the rapist the few times this would happen. In the case of a beautiful 19 year old woman who likes to show off her looks and get attention, since she is more likely to get raped and thus a larger number of detectives need to be sustained while they catch the crooks, it makes sense that a young woman's policy be more expensive for that particular type of protection. This way more money is being provided by the more likely victims, thus more detectives will be focused on

those likely victims. Why should old men be forced to pay for the protection of younger women? Higher rape protection rates for women create the right incentives where they are most useful. Young women might get a cheaper policy if they agree to wear more conservative clothing thus reducing the risk of being raped just like people get cheaper auto insurance policies for having alarms in their cars. Since no one needs to protect themselves against other people doing drugs, the billions of dollars worth of wealth/resources that go towards making nearly 2 million drug-related arrests per year and incarcerating drug users/dealers would be saved thus leaving more wealth to sustain an industry that prevents and rectifies real violations of private property and other truly productive pursuits. If a person agrees to carry a gun or some sort of defensive device, or perhaps agrees to use a cell phone or PDA device that can be tracked as well as take pictures or video, these are all things that can help prevent crime or catch criminals thus leading to less resources being needed for crime fighting and thus a lower price for protection. This is similar to getting a discount on your auto insurance policy for having anti-lock brakes which reduce the chance of accident, and the damage caused by and accident by breaking faster and impacting with less speed. Technology has improved to the point where we will soon be able to easily afford some sort of glasses or hat or some other easily worn device that can constantly record a person's surroundings which would make it a lot easier to apprehend someone who attacks an individual. As more people wear these sort of devices there will be millions of eyes recording everything that happens around, making evidence much easier to attain.

To see how the system would work let's assume that Tammy's house is broken into and Jake steals her large screen TV. As part of her protection policy with SureProtectors, SureProtectors had installed hidden cameras in her yard which clearly identified Jake as the thief. With such convincing proof SureProtectors' agents, or perhaps some third party that SureProtectors contracts to perform such services, contacts Jake and tell him to return the TV plus additional money to cover SureProtectors' expenses in having to deal with him or else the agents will show up at his door and apprehend him. Let's assume that Jake denies any wrongdoing and contacts his own protection insurer, Franklin Safety, and informs them that agents from SureProtectors are threatening to capture him. Will SureProtectors and Franklin Safety go to war? No, because both insurers will want to avoid an expensive fight by figuring out who is lying and then being able to abandon their protection obligation. If it is true that Jake has committed the theft, Franklin Safety would not have to protect Jake since they are contractually bound to protect Jake against *illegitimate* uses of force against him which would clearly not be the case since he committed the theft and was the aggressor. Jake has not only committed the theft, but by lying to his insurer he has committed another offense which could get him into more trouble with his insurer, but for now let us just assume that Franklin Safety just refuses to protect Jake. With no protection Jake wises up and gives back the TV and the amount specified by SureProtectors to cover their trouble as well as some additional money for Tammy's psychological suffering. But what if Jake feels like this additional amount is unfair? Can SureProtectors just demand whatever they want of Jake? No, because even though Franklin Safety would not have to protect him with respect to restitution related to his offense, they would have to protect him against the crime of forcing him to pay more than his fair share. So if Jake

felt like SureProtectors' demands were unreasonable he could once again summon Franklin Safety. Figuring out Jake's guilt was easy, but figuring out what amount Jake should pay in addition to returning the TV is a very tricky and subjective thing, so in this case Franklin Safety and SureProtectors would hire an arbitration agency that had a good reputation and expertise in these sorts of disputes to help settle the amount. Franklin Safety's interests lie in ensuring that Jake's additional payment is fair, if it didn't attempt to do so and allowed SureProtectors to extract an unreasonable amount from Jake, customers would drop Franklin Safety for fear that they might one day be in a similar situation. SureProtectors also wants a reasonable amount because too high an amount might also lead to public scrutiny and lack of customers. People do not want to patronize a protection agency that mistreats or demands more than the fair share from people who owe it money, and such a bad practice might lead to retaliation by other protection insurers who would try to get unreasonably high payments from people who are protected by SureProtectors.

So what happens if Jake does not want to pay the costs of dealing with his criminal behavior or return the TV? Let's change the example a bit and assume that Jake also went on a destructive rampage and caused \$30,000 in damage to Tammy's home and he does not have the money to pay her back. Since Tammy had a policy where she would get at least \$50,000 back in terms of property damage, SureProtectors would write her a check for the \$30,000 + \$5,000 (pain and suffering, misc) in exchange for the right to collect \$35,000 from Jake and then go about getting the \$35,000 from him. So the victim has been swiftly restored to a state similar to the one before the aggression and is much better off than in the current system where Jake might go to jail for several years at Tammy's expense via taxes and Tammy does not get recompensed for her \$35,000 property/mental loss. At this point Jake owes SureProtectors \$35,000 and has to pay it back in a way that is deemed appropriate by society's norms because any abusive or inappropriate treatment would prompt Jake to once again contact Franklin Safety and ask for protection since he is paying for something like line F in the sample insurance offering above, which protects him against cruel and unusual punishments. Any treatment of Jake that an arbitration agency chosen by both Franklin Safety and SureProtectors found to be excessive would make SureProtectors liable for damages, so whatever SureProtectors does with Jake will be reflective of society's standard values thus eliminating the possibility of cruel and unusual punishments. Compare this to our current system where prosecutors and judges do not face any consequences for wrongful convictions and those who have been wrongfully convicted are likely not to receive any retribution for the crime that has been committed against them. And when they do get some retribution from the government, the money comes from the taxpayer, not the individuals who were directly responsible for the crime thus not creating the right incentives that can help reduce wrongful convictions.

Unless Jake can pay the \$35,000 he would become a sort of indentured servant to SureProtectors. Protection agencies would have close relationships with employment agencies so that they could place the debtors in the most productive jobs. Those who already have jobs would most likely simply be asked to make payments on their debts while being otherwise free to go about their daily lives. If they are living too lavish a lifestyle which leads to too small a monthly payment then the debtors might be coerced into giving

up some of their luxuries to make the payment of their debts a higher priority. It should be noted that had Jake committed a different but much more expensive crime, like burning down the office where he works to destroy some paperwork that reveals a huge mistake he had made for fear that it would have gotten him fired and the whole building unintentionally went up in flames costing 10 million in damage, this does not mean that he would spend the rest of his life giving up 90% of his earnings while being coerced to work 12 hours per day living in a cramped place with other debtors being able to only afford enough for subsistence. Repaying all of this debt might be viewed as cruel and unusual punishment given society's norms.

What would essentially happen is that the freedom of the debtor would only be reduced to make his repayment of the debt an important priority while also incentivizing him to do so, and taking into account whatever social norms are deemed appropriate. If the offender is a very violent person then his potential earnings would be lower since he might have to live and work in a more prison-like environment where the cost of closely monitoring his behavior would be deducted from his earnings making it harder for him to pay his debts. Violent criminals might find employment in places that are far from the general population. Companies would arise that specialized in handling such people in a wealth producing manner.

Compare the above to today's system, where the justice system and prisons are primarily about punishment at the expense of the victim/taxpayer in general via taxes. So called "criminals", who for the most part are the product of their environment, are treated as somehow being "evil" and less human than the free population. How else can one justify putting someone in a jail cell, caged like some animal that is so different from the "good people" that he must be kept away from them? It makes more sense to induce someone to rectify a wrong than to simply punish and create this "bad person" aura which is needed to justify the existence of the current system and has many convicts rightfully feeling a certain anger against the system and society in general. In contrast to the US, where punishment plays the central role in the penal system, in Japan, restitution to the victim, repentance, and bargaining with the victim for forgiveness play the central role. As Benson writes :

"Criminals are expected to acknowledge their guilt, repent, and seek absolution from their victims, and this is the dominant focus of each stage of the criminal justice process. The vast majority of all criminals do admit their responsibility, show repentance, and bargain for forgiveness from their victims. They then ask for mercy from the public-sector criminal authorities, and given admission of guilt, repentance, and a successful bargain with the victim, the punishments imposed by the state tend to be lenient compared with the punishment in other modern countries... Importantly, most Japanese criminals admit guilt not only to the authorities but also through an intermediary (e.g., family member or friend) to the victim. The admission to the victim occurs before public prosecution occurs. Then the criminal bargains with the victim through an intermediary (mediator), offering restitution in an effort to convince the victim to write a letter to the prosecutor or judge stating that the victim has been restored and no further punishment is necessary. Without such a letter, punishment can be harsh. Thus, the victim generally receives restitution before prosecution occurs; in addition, the victim typically has an advisory role (although not control or veto power) at each stage of the prosecutory process, as decisions regarding charges, prosecution, and sentencing are made... ..in contrast to plea bargaining in the United States between

prosecutors and criminals, the bargain struck in Japan is between victims and criminals. Rather than satisfying a prosecutor with a guilty plea, the criminal must satisfy the victim with sufficient restitution.” (Benson, p. 251)

By stressing restitution to the victim the offender has more of an opportunity to put himself in the victim’s shoes and feel remorse, shame and other emotions whose previous lack thereof was an important factor in leading to his crime thus helping avoid future crimes and contribute to true rehabilitation. Actually, I do not like the word rehabilitation, and much of how we see “criminals” in general. What really makes someone a “criminal”? It is mostly a combination of two things, the cost-benefit analysis that someone makes when faced with the opportunity to commit a crime, and the values or cultural upbringing that brainwashes us to highly relate to and respect other people. With respect to the first, poverty obviously plays a significant factor and a few simple changes to our economy (as will be discussed later) would greatly reduce incentives for crime where poverty is an important motivator. “Rehabilitation” is just trying to mold someone’s mind to better respect others, and the perfect thing for this is the creation of wealth and all that is required for it. In other words, working and trying to make money. This requires hard work, patience, and above all, cooperation with fellow human beings and the appreciation of them that will follow. One of the things that truly separates us from our more ape-like cousins is integration with the market process and success within it. This success does not have to be and cannot be measured in terms of money or wealth, but, anyways, labeling someone a “criminal” and locking him up in jail until a group of Spanish inquisition-type parole board members decide that the individual is now a “good person” and has been rehabilitated is far from ideal.

What we probably want is for the offender to sort of put himself in the victim’s shoes to the point of true remorse. Let us once again remind ourselves how the mind works. Our brain can be seen as being made up of various system that get information from other systems and so on, there is no part of the brain that is hard-wired to describe the so called “self” and constantly identify this “self” with the body it controls, it is very easy for us to switch this idea of the “self” with what we know about or even imagine about another person and feel the same kinds of emotions that others can. In other words, we can “live vicariously through others” thanks to the flexibility and imagination of our minds. True remorse helps the offender feel better or perhaps even great about having to forego some of his income to restore the victim. We also want the victim to understand the circumstances, incentives and overall environment that motivated the offender, when this point is reached true forgiveness can take place. The ideal will best deal with our nature and feelings of loss, stress, revenge, etc. as well as take into account the importance of the crucial role that the environment and circumstance plays. In other words, the “bad/evil people” ideology we have inherited needs to go, as well as the monopoly on justice and everything else.

The many shows that depict life in prison constantly remind me of much that could be greatly improved in our society. In these shows I see people who are not much different than me and due to circumstance and our horrible laws and so much more their lives are wasted away as the prison-judicial-complex helps destroy the economy. There is a show that I hate and

constantly reminds me of much that is wrong with society, at least from my perspective, I'm sure some people might disagree with me here. The show is NBC's "To Catch a Predator". In this show cops or TV personnel pose as teenage girls in chatrooms and lure men to a house where they believe they will get to have sex with the young women. When the guys show up, Chris Hansen, the show's host, greets the men, lets them know they will be on TV and that they are being arrested. Throughout the show, the men who are busted are treated as if they were "predators" or something evil or different from the "good" people who would never think of doing such a thing. They are shown being interrogated by cops in a true Spanish inquisition setting where the accused have to show remorse and suck up to the bureaucracy in order not to seem as evil because obviously evil people need to be punished hard. What bullshit! For most of our evolution we have been going to war just for the purpose of snatching up young women, thousands have aspired to be rulers and in positions of power so that they would have their young concubines or harems; women being married at 13 and at times younger has been pretty common throughout history and still happens in many parts of the world without any horrible stigma attached to it and is in fact welcomed and expected by many. The Internet is full of pornography where one of the most popular categories has to be "teenage" girls. Readers familiar with Latin American culture (Cubans at least) might recall the celebration called "Quinceañera" which translates to "fifteen year old female", and is a celebration of a female having reached womanhood. I am not opposed to having rules that might prevent sex between people of certain ages, what I find so despicable is the way these so called "predators" are portrayed, the punishments they are given which destroy their lives, and the self-righteousness of the host and cops/inquisitors who destroy these men's lives. From the few episodes I've seen, the men had no intention of harming the women, many were professionals, raised happy and productive children, just overall productive members of society who simply wanted to appease their nature, a nature we all share regardless of how brainwashed some of us have been due to our upbringing. Anyways, this is too big a topic but I just had to vent at least for one long paragraph about this stuff.

I recently got a new smartphone, with GPS, camera and more, which is more powerful and useful than a full blown computer was 10 years ago. I can easily envision an application in which when an individual in danger/attacked/robbed presses a button on his phone everyone within a certain radius who has a similar application installed would be notified and provided the coordinates of where the individual is as well as information on a potential bounty/payment for information/action leading to apprehension of the aggressor. With something along these lines, within minutes, or seconds, many eyes and guns would be near the scene of a crime. Compare this to dialing 911, explaining where you are (if you are fortunate enough to know with certainty), and then waiting for the cops to arrive. Maybe social networking sites like Facebook and Google+ can integrate some sort of arbitration service that helps people/entities settle disputes. The possibilities are endless. Again, anything that is currently done by our monopolies causes us to not even think about the possibility of improvement.

Concluding remarks

Government is a monopoly that prevents freedom and competition from discovering better ways of doing whatever government attempts to do. Freedom helps us discover not only what is the best way to produce wealth, but also what are the best rules, laws, penal systems and just about anything else. Some people believe that protection and arbitration/courts are natural monopolies, in other words, things that are best done by having a single provider. Fine, if this is really the case²⁰, then private cities that have a single protection and arbitration agency would be naturally selected over territories that allow competing protection/arbitration agencies as people moved to the better places. These private cities would be no different than the small countries we have today. So even should the scenario described above prove to be unworkable for some reason(which I do not believe would be the case), significant privatization could still be easily achieved.

The monopolies on law/rule enforcement, courts/arbitration and penal system and everything else need to go; *carefully though*, our governments and bureaucracies and regulations, as disastrous as most of them are, have also been naturally selected and contain some useful and needed wisdom/laws/regulations.

How can we go about privatizing the whole world? At this moment I am mostly interested in getting the reader to understand these concepts. Once enough people understand freedom I'm sure a great path towards a much freer world will arise. Some quick and useful steps would be to allow secession, to allow countries to break up into smaller states, and then letting those countries break up further and so on. As this happens, those smaller units will have the freedom to evolve that contractual superstructure which we currently allow monopolistic governments to create, but this time around the contractual structure will be much more efficient and harmonious because the contractual structure will have evolved via competition instead of the political/monopolistic/bureaucratic top-down approach.

¹ See Stephanie Fitch's article "Gilt-Edged Pensions" <http://www.forbes.com/forbes/2009/0216/078.html>

² Ibid.

³ <http://goo.gl/EqWh3>

⁴ <http://www.justdetention.org/en/factsheets/TheBasics.pdf>

⁵ Cindy Struckman-Johnson et al., Sexual Coercion Reported by Men and Women in Prison, 33 J. Sex Res.67 (1996); see also Cindy Struckman-Johnson & David Struckman-Johnson, Sexual Coercion Rates in Seven Midwestern Prison Facilities for Men, 80 Prison J. 379, 383 (2000).

⁶ <http://www.aclutx.org/files/Ruiz%20v.%20Johnson.pdf>

⁷ Government statistics for 1994 showed that two thirds of people who have done time in jail are back in jail within 3 years. Here too minimum wage legislation is once again a significant crime-maker. If it is hard enough getting a job when you had not been convicted it will be much harder when you have already been in jail. With no minimum wage even people who have committed crimes in the past can compensate for such bad history by

offering to work for less.

⁸ <http://www.pbs.org/wgbh/pages/frontline/shows/plea/interviews/schulhofer.html>

⁹ <http://www.pbs.org/wgbh/pages/frontline/shows/plea/interviews/bright.html>

¹⁰ Paul Nugent was the attorney of Kerry Max Cook, a man who served over 20 years on death row and came within ten days of execution yet was wrongly convicted due mostly to the prosecutions' appalling misconduct. Nugent :

“Wendy Jo Edwards was murdered in 1977 and in 1999, 22 years later ... the district attorney informs Kerry that they have semen on panties found at the crime scene. I suspect -- I'll never be able to prove, and the district attorney's office will deny it, I'm sure -- the prosecutors were afraid that the DNA would exonerate Kerry... [The DNA evidence] showed that it was not Kerry who had committed the rape and homicide.

... No one wants to say they made a mistake, and the prosecutor will not say they made a mistake, even though DNA has exonerated Kerry. They're now saying the DNA is irrelevant. Well, how can it be irrelevant? You have a young woman who's been raped and murdered, and someone else's semen found at the crime scene and they're saying DNA is irrelevant? It's preposterous.

But again, they don't want to admit they made a mistake. They're afraid to jeopardize the viability of the death penalty. Kerry came within ten days of being executed. To now say, "We made a mistake" could cause problems for the death penalty in Texas, and the district attorney is not prepared to allow that to happen.”*

Mr. Cook was not just innocent, he too was sexually abused in jail and attempted two suicides during his nightmare.

* Interview with Paul Nugent in pbs special “The Plea” <http://www.pbs.org/wgbh/pages/frontline/shows/plea/interviews/nugent.html>

¹¹ <http://www.pbs.org/wgbh/pages/frontline/shows/plea/interviews/nugent.html>

¹² <http://www.innocenceproject.org/understand/Eyewitness-Misidentification.php>

For a powerful reminder of how easy it is for witnesses to get it wrong watch the trailer for the book “Picking Cotton: Our Memoir of Injustice and Redemption” on amazon.com or youtube. The book describes the story of how Jennifer Thompson-Cannino, after making the effort to study the details of her rapist while in the act, still misidentified him in a lineup and caused Ronald Cotton to spend 11 years in jail until DNA evidence cleared him. Also there is a more in-depth CBS 60 Minutes special that discusses the ordeal as well as how easy it is for eyewitness testimony to be faulty:

<http://www.cbsnews.com/stories/2009/03/06/60minutes/main4848039.shtml>

¹³ <http://www.innocenceproject.org/understand/Unreliable-Limited-Science.php>

¹⁴ Ibid.

¹⁵ In a short video that goes over Ronald's saga (<http://www.youtube.com/watch?v=HFSw5To3Qa0>), Carolyn Frazier, a lawyer who helped Ronald, said:

“One thing he(Ronald) was asked was “How does this make you feel about the system? Does the system work? And he said “maybe it works for some people” and I think he recognized that there was an incredible, incredible amount of resources put behind him... that's part of what tells us that the system does not work...such and incredible amount of human power. 60 students, over 9 years, two major law firms, tons of resources from the clinic, and most people don't get that”

Dealing with the justice system is tremendously expensive and time consuming. Lawyer

time is very expensive and the courts, being a very slow moving bureaucratic monopoly protected by the aura that everything they do is so important, can take months and months to reply to the various steps in a labyrinth needed to rectify a wrong.

¹⁶ See “We fabricated drug charges against innocent people to meet arrest quotas, former detective testifies” By John Marzulli, DAILY NEWS STAFF WRITER, Thursday, October 13th 2011, <http://goo.gl/sbEF8>

¹⁷ <http://www.innocenceproject.org/understand/Bad-Lawying.php>

¹⁸ Although in this particular quote Hayek is referring to government’s interference with money, the context in the passage also shows how the statement applies to the evolution of law/rules/social institutions/etc.

¹⁹ In a recent court battle where Oracle is suing Google over some patent-related issue, the Judge has to be taught about the Java computer programming language and many more computer programming related concepts. See “Judge in Oracle-Google case gets a lesson in Java: A San Francisco courtroom becomes a classroom for an hour” by By James Niccolai, IDG News Service

<http://www.itworld.com/operating-systems/153541/judge-oracle-google-case-gets-lesson-java>

²⁰ See <http://mises.org/daily/5266/The-Myth-of-Natural-Monopoly>

VII. The Environment

Why we are not running out of natural resources

Another side effect of our fundamental change from self-sufficient tribal world to market process coordinated world is the importance associated with land and natural resources. We are instinctively territorial because land and the food and animals that it contained was of vital importance in our tribal past, but this is not the case today. Wealth and material prosperity needs two things, one is matter/natural resources, and the second is a process that transforms this matter into human usable wealth. In our tribal past nature provided both the matter and the transformation, today nature provides the matter and we, the market-process-coordinated social organism, provide the transformation. With respect to matter/natural resources, they are abundant, we have an entire planet filled with them. Most people are worried that we are running out of natural resources but this is not true. As the complexity and embodied knowledge of our productive structures increases, our ability and ease with which we can transform matter into wealth increases faster and faster. As George Reisman explains:

“There is no limit to the further advances that are possible. Hydrogen, the most abundant element in the universe, may turn out to be an economical source of fuel in the future. Atomic and hydrogen explosives, lasers, satellite detection systems, and, indeed, even space travel itself, open up limitless new possibilities for increasing the supply of economically useable mineral supplies. Advances in mining technology that would make it possible to mine economically at a depth of, say, ten thousand feet, instead of the present much more limited depths, or to mine beneath the oceans, would so increase the portion of the earth’s mass accessible to man that all previous supplies of accessible minerals would appear insignificant by comparison. And even at ten thousand feet, man would still, quite literally, just be scratching the surface, because the radius of the earth extends to a depth of four thousand miles.” (Reisman, p. 64)

Our ability to find new sources of energy seems to be increasing faster than the rate at which we consume them. For example, by the end of 1944, crude oil known reserves were 51 billion barrels worldwide. After 58 years, by 2002 we produced 917 billion barrels yet the known reserves had increased over twenty times to 1,266 billion barrels. From 1967 to 2003 2,563 trillion cubic feet of natural gas were produced yet during this time the known reserves increased six-fold from 1,041 in 1967 to 6,076 trillion cubic feet in 2003. In 1950 the world’s known coal reserves were 256 billion short tons, from 1950 to 2002, 188 were consumed and at the same time the known reserves increased more than fourfold from 256 to 1,089 billion short tons (Bradley & Fulmer, pp. 88-89). It is true of course that at some point in the future if the social organism does not find better ways of producing energy these resources will eventually run out. But why make dire predictions about a future that is at least hundreds of years away based on today’s inferior technology and knowledge? What are the chances that our ability to produce usable energy will not be greatly increased in the near future? Reality and history clearly show that our ability to produce energy is increasing faster than the rate at which we

use it. One hundred years ago drilling miles deep into the earth and doing the transformations we are profitably capable of doing today were impossible, much less economically viable and profitable, and yet here we are, consuming more energy than ever and with more reserves as well. Today, many people who have no understanding whatsoever of how the market process works, dismiss countless sources of energy simply because they are currently too expensive or not economically viable without realizing that just about every one of today's energy sources was too expensive in the near past.

Our natural resource problems are the result of our basic problem, our inability to recognize the fundamental change from tribal world to market process coordinated social organism, again our unfortunate ignorance of economics. We have evolved with little to no changes in technology. As previously mentioned, for the last 2 million years our technology was limited to a few simple stone tools. We have not evolved to intuitively understand how technology evolves and increases the social organism's ability to transform the world for our benefit. When we think of technology, we think of individual gadgets or tools, but the word technology should have another meaning or perhaps we need a new word to embody the concentration of productive ability that is embodied in entire productive structures/companies made up of many human minds and their tools/computers and so on, each constantly improving their efficiency and therefore improving the efficiency of the whole productive structure. Again, these productive structures and how the market process shapes them via competition, prices, investing, interest rates and all the things we discussed in the economics chapter are new to us and unless we include their proper understanding as part of our weaning process we will continue to destroy the very mechanisms that have led to our own existence.

A perfect example of the social organism's ability to transform matter into wealth is the Japanese human ant-farm. Japan has a total area a little smaller than the state of Montana and it is spread over 4 large islands and many smaller ones totaling over 3000 islands. The terrain is mountainous and volcanic, with relatively few and hard to get natural resources, yet the 130 million Japanese who live there make up the most complex productive order mankind has ever seen. Thousands of tons of matter are shipped to it daily and are transformed into wealth. The Japanese aren't running out of space either, they simply transform matter from some mine somewhere to flooring that they stack on layers as they build up! Africa is full of natural resources and matter yet it lacks the most important ingredient for wealth, a complex human ant-farm capable of transforming that matter into wealth. Or better said at a more fundamental level: the African human ant-farm does not have the laws, the human physics, which allows for a productive human ant-farm to emerge, they do not have Capitalism. They do have musician Bono though.

Matter and natural resources are abundant, what really makes a difference in our modern world is the human ant-farm's ability to transform this matter into human usable wealth as opposed to nature. What good does it do one to be standing on large deposits of crude oil or any other natural resource if you do not have a productive structure that can transform it into wealth? The planet has had petroleum and other natural resources long before we came to exist, it is thanks to the social organisms combined intelligence and not to their mere existence that natural resources become of any use.

“Because the supply of resources provided by nature is one and the same with the supply of matter and energy, the supply of economically useable natural resources is capable of is virtually limitless. It increases as man expands his knowledge of and physical power over the world and universe” (Reisman, p. 64)

Once one understands economics and the workings of the market process, such zero-sum based fears should begin to go away.

Dealing with pollution

Taking care of the environment is one of the easiest problems to solve. The key to protecting the environment is to privatize as much as possible. All of it, including rivers and oceans. If someone dumps garbage in your house they are violating law #2 (Do not encroach on other persons or their property). If all land is privatized all garbage and pollutants would have to be properly disposed of or stored or transformed into something people don't mind having around. It is that simple. There is no such thing as pollution or environmental problems in privately owned land. If rivers and streams were privately owned the dumping of toxic chemicals in rivers and streams would be a violation of the river owner's property rights and bring about a justified lawsuit. Garbage disposal and storage companies would buy large tracts of cheap and undesirable land and use it to properly store and dispose of our garbage and pollutants and they would always take the necessary precautions so that such garbage and pollutants cannot make it to other people's property. If the pollutants happen to be dangerous chemicals that can get in water supplies and pollute surrounding private property then they would have to be stored in containers raising the cost associated with disposing of such pollutants. This increase in the price associated with disposing of certain pollutants is a signal that carries with it information, the fact that properly disposing of this chemical is hard to do and requires a lot of care and resources. The companies which use these chemicals will then base their calculations as to whether to use the chemical or not based on this price which embodies all the details relevant to its proper disposal and this would discourage the very use of such pollutants. If the use of such pollutants was a crucial part of some process then it would be included in the final price of whatever process the pollutant is used in and be able to pay for its proper disposal, if not, then the pollutant would not be used. For example, Larry owns a plastic making company and as a byproduct of his plastic making process a very toxic pollutant is created which requires an expensive chemical process that breaks it down into things that aren't harmful. If Larry's plastic is great stuff that people are willing to pay a lot of money for, enough money to also cover the cost of the process of transforming the pollutant byproduct into a non-pollutant, then great, Larry is in business, his productive structure is self-sustaining and socially desirable, if not, then Larry needs to find something else to do or wait until a better way of dealing with his pollutant comes along. This example once again shows us how prices contain knowledge.

An important thing to realize about the proper disposal of pollutants is that their disposal is nothing but a transportation and/or transformation of matter, and that this is something that market-process coordinated human ant-farms are getting better at faster and faster and faster. Every increase in the efficiency of transportation or automation improves our ability to

move/store/dispose of garbage/pollutants. And as our ability to transform matter improves, sometimes we can learn to use our old garbage for new things like in the cases of profitable recycling. This is why the cleanest and most environmentally sound places in the world also happen to be the most economically advanced. Increasingly productive human ant-farms find it easier and easier to clean up after themselves. All garbage is just matter that has been transformed from a state that is useful to us to one that is less useful or uneconomically usable at a certain time. But as time passes by and our ability to transform matter to our benefit increases garbage will eventually become a usable natural resource.

Global warming

Global warming is over-hyped. I am not going to discuss or give my own scientific counterarguments against pro-doomsday global warming studies. I know very little about climatology and there are many books that already do a great job of using solid science to counter the global warming hysteria. What I do feel confident in discussing is the social organism's ability to adapt its productive order to a changing environment. Let's assume the very worst possible case. Let's assume that it is true that human beings are a new factor that increases the earth's temperature in ways that have never happened before and that this increase in temperature is something that will have substantial detrimental effects in the future. The first thing we need to ask is, how fast is this happening? If we are doing it, it is obviously not happening fast enough to bring about a quick extinction to mankind. To my limited knowledge, even scientists who feel like we are bringing about detrimental climate changes, the drastic changes would be at least a couple of centuries away. According to the Intergovernmental Panel on Climate Change (IPCC), surface temperature readings have increased about 1.1° F over the last 100 years. Let's assume that this rate even increases threefold to 3 degrees every 100 years. That gives us 300 years to learn how to shape the world around us to our advantage given an average temperature that is 9 degrees higher than what it currently is. Even if we increase the temperature that much, it just means that the colder places like Greenland, northern Canada, and gigantic parts of northern Asia which were part of the former soviet union now become more fertile and better suited for human life.

A hotter planet does not necessarily mean a less hospitable one. Sure some habitats might get too hot and the life that currently exists there might diminish but new life will spring up in the new more hospitable areas. Life on this planet has endured countless of drastic environmental changes, as recently as our last ice age from 70,000 to 11,500 years ago Greenland's surface temperature changed 15° F in just 10 years. Things like higher carbon dioxide levels which many feel are causing the global warming also help plants grow better.

As I write this book I am living in Miami, a place that would have been inhospitable to the millions who live here before the human ant-farm was able to easily transform the environment in a way that was hospitable to human life, by easily creating structures like buildings where there were only swamps before. And by far the most important of these transformations is air conditioning! Thanks to heating and air conditioning we can transform the environment so that many previously inhospitable places are now comfortable

locations for us and I am sure that by the time the earth becomes an inferno we will have found it so easy to transform our environment to our liking that it wouldn't be a problem at all, and that is assuming that it will become an inferno. It all comes down to this, based on my understanding of the market process and its ability to give an efficient and highly adaptable order to society, a fundamental piece of knowledge which is missing from virtually ALL so called experts in predicting the future conditions of mankind, I believe that our ability to transform the earth's environment to our liking will easily outpace whatever truly negative impact we might be having on the environment. And just like our ability to find new sources of energy and ways of transforming matter increases faster than our thirst for them so will our ability to deal with whatever detrimental impact we might be causing before it becomes a serious nuisance.

The importance of private property needs to be stressed again. Respect for the two laws, "Do all you have agreed to do" and "Do not encroach on other persons or their property" are what turn chaotic little human ants into the world's most powerful supercomputer and transformation device. The last one hundred years have seen the human ant-farm transform itself with amazing speed and this has been greatly hampered by two world wars that destroyed a tremendous amount of productive order. Then Communism kept millions in Russia and China and the rest of the world in economic chaos unable to integrate themselves with and contribute to the social organism. Obviously it is impossible to predict what the world would be like today should the great wars, Communism, and our continued big government policies have never occurred, but at the very least I think technology and productivity would have increased 10 times as fast. If this would have been the case I seriously doubt that we'd be concerned with global warming today and we'd be more concerned about planning vacations on the moon.

Having briefly discussed the solution to our worst case scenario, let us come back to reality and focus on what is more likely the case: that things are nowhere near as bad as the so called "experts"/enviromorons/economorons like former vice president Al Gore suggest. Let's once again refer to economist George Reisman:

"Perhaps of even greater significance is the continuous and profound distrust of science and technology that the environmental movement displays. The environmental movement maintains that science and technology cannot be relied upon to build a safe atomic power plant, to produce a pesticide that is safe, or even to bake a loaf of bread that is safe, if that loaf of bread contains chemical preservatives. When it comes to global warming, however, it turns out there is one area in which the environmental movement displays the most breathtaking confidence in the reliability of science and technology, an area in which, until recently, no one—not even the staunchest supporters of science and technology—had ever thought to exert very much confidence at all. The one thing, the environmentalist movement holds, that science and technology can do so well that we are entitled to have unlimited confidence in them is forecast the weather—for the next 100 years!

It is after all, supposedly on the basis of a weather forecast that we are being asked to abandon the Industrial Revolution or, as it is euphemistically put, "to radically and profoundly change the way we live"—to our enormous material detriment." (Reisman, p. 88)

If one understands that the progress of mankind is the cure for any global warming concerns, it becomes obvious to see how the major economic bottlenecks that are proposed by environmentalists, who are even more ignorant of economics than the already ignorant politicians and public, are the biggest harm to the very environment they want to protect. Ignorance of the market process is by far the greatest threat to our supply of natural resources, global warming, and just about every other thing human beings need to prosper. It seems like most “experts” fall into the category of scientists who see things like predation in the biological world, and make the same mistake Marx made by comparing the biological predation to a nonexistent predation of the working class by the capitalists. And also the constructivist view that the economy needs ‘planning’. In that sense most scientists are as wrong as the public, they just think they are smarter because they can write about or compare this predation better than average folks. But just like so many experts were wrong about communism and unbelievably, the 20th century’s greatest economist, Ludwig von Mises, could not even get a paid position in the US as a professor, the mass of scientists are once again blind to how the market process will solve our environmental concerns. The easy to absorb and intuitively appealing yet erroneous ideas like communism, which spread so easily amongst the public, are once again drowning out the powerful truths expounded by the likes of Mises, Hayek, Hazlitt, etc.

The conservation of species

Many people increasingly see human beings as a cancer that is growing and destroying the planet and selfishly and “unfairly” killing off other species. But this is not true, and the root of this mistake is due to our belief that we are somehow apart from nature and also to extending our egalitarian tendencies to all living things, and of course, the usual culprit, our lack of an understanding of how the market process creates the social order. Once again it is important to keep in mind how flexible our minds are, we can brainwash ourselves to love and care greatly about fellow human beings but also things like our cars, favorite shirts, teddy bears, pets and especially for some biologists and nature lovers, all living things like bugs, grasses and so on, some of which unfortunately go extinct due to our flourishing. We are a new life form, not just a new kind of big-brained ape, we are parts of the new social organism. And species growing and changing the environment at the expense of others is fair game as far as natural selection is concerned. Actually, everything is fair game for natural selection. Our transition from social animal in our tribal world to market process coordinated social organism is as significant in the evolution of life and the continuous increase in complexity on this planet as the transition from single-celled to multicellular life which occurred about a billion years ago. Many people who absorb the environmentalist ‘cultural book’ might love the way beavers transform their environment when they build dams in rivers, yet they find our cities, skyscrapers, soaring planes, chemicals, pesticides, and world of concrete and pavement to be an environmental disaster and are completely unaware that these transformations of the world around us are precisely what create a better environment for human beings. One free of snakes, rotting and decaying animals and the countless microbes which would be praying on us.

I went through a huge biology/‘nature-loving’ phase which motivated me live off of my savings and go into debt while going back to college fulltime to study it. I can relate to people who love insects and grasses almost as much as human beings. Natural selection has created every creature to be so unique, with such a wonderful evolutionary story to tell. I love biology! One can even feel like other species besides human beings are sort of innocent because whatever seemingly “evil” things they need to do to survive are not done out of apparent malice like it might seem amongst us humans. Our wars and nuclear weapons can do so much damage; we could easily destroy the whole world and its amazing complexity which has taken natural selection billions of years to create. But even if this were the case, the evolutionary story of life has had many drastic extinctions and setbacks in the past, and perhaps a billion or two years in the future there will be big-brained roaches who reach our present level of civilization, it would just be an unfortunate change that I don’t want to happen either. But preventing the continued economic progress of mankind is not the way to go about helping other species. Other species need us. We are the species that will take the life/order/complexity we have evolved here to other places like the nearby planets and who knows what the future might hold. It is just a matter of time before some asteroid or other major natural disaster takes us out and quite possibly all life in this planet. Assuming there are other planets with life out there, they too will all need a human-being-like species that will also become a social organism and be able to overcome inevitable cosmic disasters. Not only is it great that we are alive right now, but we are part of that special cosmological event where life consciously wakes up and is able to protect itself from cosmological disasters and continue to expand its order. We need to realize that when we work and trade and therefore integrate ourselves with the social organism we are becoming something wonderful, much more unique than the species that will die off and weren’t able to achieve our order. Amongst the many good things we will be doing for all life is that thanks to rapid increases in biotechnology, within a relatively short time we will be able to sequence the genomes of any species we stumble upon with ease, helping save each specie’s amazing evolutionary journey should they be displaced by our progress. Obviously the environments where such creatures have evolved is in many ways as important as their genomes but I think they’d still appreciate our effort. Perhaps someday in the future we could recreate the habitats of species that are dying now and bring them back to life. We are the saviors of all life in this planet, not the destroyers. We are natural selection’s latest and greatest creation. As Spencer said:

“Instead of civilization being artificial, it is a part of nature; all of a piece with the development of the embryo or the unfolding of a flower. The modifications mankind has undergone, and are still undergoing, result from a law underlying the whole organic creation.”

Actually, I shouldn’t speak so soon, we have all kinds of problems right now but all that is needed is a change in our ‘cultural books’, just a few simple ideas going “viral” on the Internet.

We really shouldn’t get all worked up over species dying. Every time a species dies you are giving a helping hand to whatever that species ate. Many times all that happens is that the balance of life/order changes, that’s all. Besides, if we slow down the progress of mankind we will be denying the right

of the many species that have adapted to leeching off of us to continue their evolution. By preventing the further expansion of human beings we are also preventing the further evolution of things like roaches and the various diseases that prey on us. What about their rights and intrinsic value? I love roaches, my parents tell me that they used to be one of my favorite treats as a young toddler.

Many people would also love to own some of these dying species but our governments make owning such animals illegal. If people were allowed to own the various monkeys, tigers, and so on that are going extinct it would never happen. Sure a tiger can run away from time to time and kill a loved one, but people would take the necessary precautions. The market process would discover the best way to make all of these things happen.

Concluding remarks

As if the steady march towards Socialism/Communism and therefore socioeconomic hardship via economic ignorance wasn't enough of a problem, the environmentalist movement and its ignorance of economics is yet another disastrous blow that humanity can't really afford. It is truly scary to see how fast the world's governments are being pressured into putting tremendous roadblocks to the only thing that can really save us, economic/technological progress. Freedom.

The environmentalist movement at its core is far more sinister than Socialism/Communism. Stalin and Mao, as wrong and as brutal as they might have been, at least strived towards some socialist utopia where human beings would flourish. But for many in the environmentalist movement, who see human flourishing as more of a destructive cancer to life on this planet and thus something to be prevented, ultimately the death of billions and the prevention of future human life becomes their goal. Let's read what a few leading environmentalists have said¹:

Jacques-Yves Cousteau, environmentalist and documentary maker: "It's terrible to have to say this. World population must be stabilized, and to do that we must eliminate 350,000 people per day. This is so horrible to contemplate that we shouldn't even say it. But the general situation in which we are involved is lamentable."

John Davis, editor of Earth First! Journal: "I suspect that eradicating smallpox was wrong. It played an important part in balancing ecosystems."

Paul Ehrlich, Stanford University population biologist: "We're at 6 billion people on the Earth, and that's roughly three times what the planet should have. About 2 billion is optimal."

David Foreman, founder of Earth First!: "Phasing out the human race will solve every problem on earth, social and environmental."

David M. Graber, research biologist for the National Park Service: "It is cosmically unlikely that the developed world will choose to end its orgy of fossil-energy consumption, and the Third World its suicidal consumption of landscape. Until such time as Homo sapiens should decide to rejoin nature, some of us can only hope for the right virus to come along."

¹ I found this list of quotes in an article by Eric Englund titled "The Mosquito: Environmentalism's Weapon of Mass Destruction" <http://www.lewrockwell.com/englund/englund28.html>

Alexander King, founder of the Malthusian Club of Rome: "My own doubts came when DDT was introduced. In Guyana, within two years, it had almost eliminated malaria. So my chief quarrel with DDT, in hindsight, is that it has greatly added to the population problem."

Merton Lambert, former spokesman for the Rockefeller Foundation: "The world has a cancer, and that cancer is man."

John Muir, founder of the Sierra Club: "Honorable representatives of the great saurians of older creation, may you long enjoy your lilies and rushes, and be blessed now and then with a mouthful of terror-stricken man by way of a dainty!"

Prince Phillip, Duke of Edinburgh, leader of the World Wildlife Fund: "If I were reincarnated I would wish to be returned to earth as a killer virus to lower human population levels."

Maurice Strong, U.N. environmental leader: "Isn't the only hope for the planet that the industrialized civilizations collapse? Isn't it our responsibility to bring that about?"

Ted Turner, CNN founder, UN supporter, and environmentalist: "A total population of 250–300 million people, a 95% decline from present levels, would be ideal."

Paul Watson, a founder of Greenpeace: "I got the impression that instead of going out to shoot birds, I should go out and shoot the kids who shoot birds."

Not a single one of these "experts" has the slightest clue of what the market process is and how it works, which means that they don't really understand natural selection(although I'm sure all of them think they are experts at it!)

Having said all this with respect to the environment, I am not saying that the world is as simple as just following our two laws or that I am against all government regulation, especially as it relates to air pollution and things like that. I don't really care about figuring out which regulations might be tolerable or if maybe I want to fight for 0 regulations. I am not concerned about these things, because once enough people understand these important economic concepts I am sure that great solutions will emerge. And even if we don't come up with the perfect answers, whatever solutions or compromises humanity stumbles upon should easily solve our problems and enable us to continue on what should be an easy path to prosperity.

VIII. Various Topics

World War I and its ramifications

On June 28, 1914 in the city of Sarajevo, Gavrilo Princip, a young man looking to be a hero who was backed by “The Black Hand”(an organization with close ties to many within the Serbian government) killed Archduke Franz Ferdinand of Austria, heir to the Austro-Hungarian empire. This event can be seen as the snowflake that would set off an avalanche of events that would lead to the First World War, the rise of Communism, The Second World War and many other events whose repercussions continue to affect us to this day. In this section we will briefly go over the history, importance, and interrelatedness of these events and their far reaching repercussions. I use this snowflake/avalanche analogy to help make the point that much of the world, thanks to its economic ignorance, human nature, and leading ideologies of the times, was almost inevitably headed for such a horrendous conflict.

Social Darwinism slightly off-track and the Ideology of Empire

One of these ideologies was what is commonly referred to as Social Darwinism, a concept that erroneously extended Darwinian natural selection and its popular concept of “survival of the fittest” to groups of people, races and nation states. According to historian Hunt Tooley “...Social Darwinists assumed that individuals, institutions, and even nations operated on the same principle: the fittest would survive, and those which survived were clearly the fittest” (Tooley, p. 15). It is true that natural selection shapes everything at all levels, including groups, so called races, and institutions (this is after all this book’s main thesis) but the problem with the thinking at the times was that people overemphasized and gave too much credit to racial and biological differences while misunderstanding the workings, benefits, and evolution of socioeconomic institutions that had little to do with race or individual traits. At the time(much like today), political leaders and the public they represent had no clue that what created relative differences in technology and prosperity had little to do with individual or racial characteristics and were mainly due to the evolution of the market process or the legal framework that enables it. Europeans thought or better said, continued to think, that because they were more technologically advanced there was something about their individual characteristics, or race, that had led to their relative superiority. This ideology sort of morally justified the growing empires of Europeans. Tooley continues, “European states had the right to conquer peoples because they were inferior and needed organizing for the good of the human race, and advanced states had the duty to conquer these peoples in order to pull them upward(at least some distance) toward the civilized level already achieved by the Europeans... As British imperialist Cecil Rhodes put it in 1877: “I contend that we are the finest race in the world and that the more of the world we inhabit, the better it is for the human race.”” (Tooley, p. 17). During the American occupation of the Philippines Senator Albert J. Beveridge gives us another example of the mindset of the day when he said “My own belief is that there are not 100 men among them who comprehend what Anglo-Saxon self-government even means, and there are over 5,000,000 people to be governed. It has been charged that our conduct of the war has been cruel.

Senators, it has been the reverse...Senators must remember that we are not dealing with Americans or Europeans. We are dealing with Orientals.” Religious explanations also abounded, for example, Beveridge also reflected widely held views when he said that:

“God has not been preparing the English-speaking and Teutonic peoples for a thousand years for nothing but vain and idle self-contemplation and self-admiration. No! He has made us the master organizers of the world to establish system where chaos reigns. He has given us the spirit of progress to overwhelm the forces of reaction throughout the earth. He has made us adepts in government that we may administer government among savage and senile peoples. Were it not for such a force as this the world would relapse into barbarism and night. And of all our race He has marked the American people as His chosen nation to finally lead in the regeneration of the world. This is the divine mission of America, and it holds for us all the profit, all the glory, all the happiness possible to man. We are trustees of the world’s progress, guardians of its righteous peace.”¹

This sort of thinking coupled with the fact that there were only so many “backwards people” whose lands could be plundered/“civilized” eventually created tensions that would lead to WWI.

War, Economy, and the birth of the Soviet Union

The major belligerents in the war were grouped into the Central Powers and the Allied Powers. The Central Powers were composed of the German Empire, the Austro-Hungarian Empire made up of many different ethnicities with some people looking forward to more independence from the ruling aristocracy, and the Ottoman Empire (mostly modern day Turkey). The major players in the Allied powers were France, Russia, England, and eventually the US.



To make a long story *very* short... On July 23rd Austria-Hungary sent an ultimatum with some demands to the Serbian government. The demands were humiliating for a government to submit to and it was largely written with the hope that it would be rejected. British Minister of Foreign Affairs Sir Edward Gray said that "This is the most terrible document that one state ever presented to another country." Serbia agreed to most of the demands except for one which would allow Austro-Hungarian officials to conduct investigations in Serbia. Serbian Prime Minister Nikola Pasic had known about the plot and had made some half-hearted attempts to prevent it, he would have been in big trouble should the Austrians discover this, or worse, the Black Hand, and also needed to show himself as a tough guy for the coming election. (Mayer, p. 53)

Five days later on July 28th Austria-Hungary declares war on Serbia. On July 29th, Russia began to mobilize its army against Austria-Hungary in order to help Serbia and told the Austro-Hungarian Army to stop. Military mobilization was a big deal for diplomats and military leaders because it could take many days to properly prepare and transport millions of men and armaments. If someone is about to shoot a person, does the person take the necessary preventive measures when the assailant fires the gun or when the assailant "mobilizes" by drawing the gun and aiming? On July 31st Germany, which was allied with Austro-Hungary and also feared that the Russians and French might eventually use the conflict to ultimately harm Germany, gave the Russians 12 hours to demobilize and an ultimatum to the French to state, within 18 hours, whether France would remain neutral in a potential German-Russian war. As neither country complied with these demands Germany declared war on them. Why would Germany be so hawkish? To some of the influential German leaders, Russia's larger population and growing might is something that was eventually going to lead to trouble, so they figured that it was best to deal with them now rather than later. For example, Germany's Foreign Minister Gottlieb von Jagow mentioned that "in a few years Russia... will be ready. Then she will crush us on land by weight of numbers, and she will have her Baltic Fleet and her strategic railroads ready. Our group meanwhile is getting weaker." Germans had plenty of reasons for such concerns; Germany's rise to become the leading economic power in continental Europe had incentivized a Franco-Russian alliance which had the French investing heavily in the improvement of Russia's military, including a network of railroads to help mobilize Russian troops towards Germany. British Foreign Secretary Sir Edward Gray describes his view of Germany's concerns when he commented that:

"The truth is that whereas formerly the German government had aggressive intentions...they are now genuinely alarmed at the military preparations in Russia, the prospective increase in her military forces and particularly at the intended construction, at the insistence of the French government and with French money, of strategic railways to converge on the German frontier...Germany was not afraid, because she believes her army to be invulnerable but she was afraid that in a few years hence she might be afraid...Germany was afraid of the future."

Close advisor to US president Woodrow Wilson, Colonel House, sent a letter to Wilson on May 29th giving his take on the tensions:

"The situation is extraordinary. It is jingoism run stark mad. Unless someone acting for you can bring about a different understanding, there is some day to

be an awful cataclysm. No one in Europe can do it. There is too much hatred, too many jealousies. Whenever England consents, France and Russia will close in on Germany and Austria.”

The French bureaucrats had reasons for their concerns and helping the Russians; in 1871 they had lost the Franco-Prussian war. This war brought together Prussia and other Germanic kingdoms/territories under the rule of Prussian King Wilhelm I, thus creating the nation we now call Germany. In this loss the French had to give up the two former Germanic provinces of Alsace and Lorraine which had been annexed by France by Louis XIV. This territory contained mostly German-dialect speaking people and some German bureaucrats wanted it as a sort of buffer zone against future French aggression. The Germans had traditionally feared the French more than the other way around. Until this defeat, France, especially under the rule of Napoleon Bonaparte, had been the big bully and its aggression was still fresh in the minds of many Germans.

The whole situation is well summarized by historian James Joll when he wrote:

“The Austrians had believed that vigorous action against Serbia and a promise of German support would deter Russia; the Russians had believed that a show of strength against Austria would both check the Austrians and deter Germany. In both cases, the bluff had been called.”

Serbia’s reply to the ultimatum was actually welcomed by German ruler Keiser Wilhelm II who upon learning about the reply stated that “every cause for war falls to the ground” “The few reservations which Serbia has made with respect to certain points can in my opinion surely be cleared up by negotiation”. The Keiser felt like Austria should just militarily occupy Belgrade to enforce the carrying out of the ultimatum. This was an idea that British Foreign Secretary Gray had independently arrived at and considered as acceptable. Unfortunately, bad timing, miscommunication, and the strong desire by some key players on all sides who felt like war was inevitable were too much to stop the momentum for war³.

Germany’s plan was to hold off Russia on the east while quickly taking out France on the west and then finishing off Russia. In order to achieve this, German military leaders felt that the best way to defeat the French was by first quickly passing by neutral Belgium on France’s north eastern border. The invasion of Belgium brought England into the war.

Germany’s invasion/occupation of Belgium, although obviously a despicable action should not stigmatize the Germans as somehow more “evil” than other world powers like the British. The Germans simply saw this as a necessity and did not look forward to having to fight the Belgian army and had even promised to pay for all damage done by their army on way to France, but obviously and rightfully the Belgians resisted. As late as 1913 the French Supreme War Council was exploring a possible invasion of Germany through Belgium but the idea was abandoned when the British sternly opposed it. So things could have easily gone in the other direction depending on which group of ideologues’ opinion given a myriad of circumstances ends up deciding things. Also in 1807 the British navy bombarded Copenhagen and seized the Danish fleet even though Denmark was neutral in the Napoleonic wars. Their justification to the Danes was that Napoleon was about to invade and seize

the fleet himself. Former British politician Lord Ponsonby gives an example of the true nature of British self-serving policy at the time when he noted in 1928:

“In 1887, when there was a scare of an outbreak of war between France and Germany, the Press... discussed dispassionately and with calm equanimity the possibility of allowing Germany to pass through Belgium in order to attack France... We were not more sensitive to our treaty obligations in 1914 than we were in 1887. But it happened that in 1887 we were on good terms with Germany and on strained terms with France.”

One should keep in mind that England was near the height of its colonial empire with way more people under British oppression than German. In more recent times the US invaded Iraq destroying much of its infrastructure, leading to hundreds of thousands of deaths and the displacement and impoverishment of millions. This was done by American ruling ideologue at the time, President George W. Bush, to “rid the world of the evil-doers.” The Germans simply launched what in the US most would call a “preemptive war”, in other words, an offensive war that is based on the fear that you might be attacked in the future by “bad/evil people” so it is ok to attack them first according to this commonly shared way of looking at things.

After some quick initial successes by the Germans which brought them within 43 miles of Paris it became apparent that the war was not going to be a quick one with neither side having enough of an advantage to defeat the other and a more or less stalemate lasted for about 3 years.

The three years of all-out warfare were destroying the productive order of all belligerents. In order to help finance their war efforts all belligerents abandoned the gold standard and resorted to the printing press. In the old days, rulers would sometimes run out of gold with which to pay their troops and the wars would end, but this would not be the case as central banking began to emerge, giving ideologues a new way with which to sustain and prolong to even more severe levels the socioeconomic hardship that war brings. As Dr. Salerno mentions in one of his many great lectures at the Ludwig von Mises Institute:

“Wars have invariably been financed by printing money since the invention of paper money. Indeed, it might be said that paper fiat money and central banks were invented mainly to finance wars. The first irredeemable paper currency in the Western world was issued in 1690 by the British colony of Massachusetts in order to pay its soldiers in its sporadic wars of plunder against the French colony of Quebec. The first central bank in history, the Bank of England, was established in 1694 to finance the mercantilist and imperialist foreign policy of the Whig party that had gained control of the British government.”²⁴

Russia about quintupled the money supply by January 1917. Prices naturally soared, “In Simbirsk, for instance, a pair of boots that cost seven rubles before the war cost thirty in 1916; in Ivanovo-Voznesensk, calico products rose to 319 per cent of their pre-war price in September 1916; horse-shoe nails, which cost three rubles and forty kopecks in 1914 rose, early in 1916, to forty rubles.” (Stone, p. 297)

Russia was the poorest of the belligerents with a prewar(1913) per-capita national product estimated to be \$44, compared to \$146 for Germany, \$185 for France, and \$243 for Britain (Pipes, p. 234). The socioeconomic chaos caused by the pressures of war coupled with the incompetence, corruption and injustice of the Czar's regime led to the Czar abdicating his power and the establishment of a "Provisional Government" on March 14, 1917. British, French and American ambassadors rushed to influence the new government and keep Russia in the war. American President Woodrow Wilson's administration gave \$325 million in loans. But such monetary aid and encouragement is incomparable to the consumption/destruction of the socioeconomic order that war brings thus it only contributed to the continued deterioration of Russia. Again, war causes the social order to destroy itself from within as wealth is consumed by the military while nothing of life/order sustaining value is gained in exchange leading to a continued shrinking of the economic pie and the social order that replenishes it. For example, towards the end of war in Germany, "metal was so scarce that everything possible—kettles and cooking pots, doorknobs, brass ornaments, telephone wire, and well over 10,000 church bells—was being confiscated and melted down for munitions. Buried pipes were ripped from beneath the streets." (Hochschild, p. 311)

Ferdinand Grenard, a French diplomat in Russia at the time observed that:

"Russia's allies were blinded by their desire to keep Russia in the war at all costs. They were unable to see what was possible and what was impossible at the moment. Thus they only furthered Lenin's game by isolating the Prime Minister of the Provisional Government from the people to an even greater extent. They could not understand that in keeping Russia in the war, they had to accept the inevitable concomitant of internal strife"⁵

By around this time the Germans helped bring to Russia Vladimir Lenin, a communist ideologue who wanted Russia to get out of the war. His message of "Peace, land, and bread" which focused on ending the war, redistributing land from the wealthier landowners to the peasants, and having the workers control the factories (instead of the obviously evil profit-seeking capitalists/entrepreneurs) made him popular enough¹ to have his Bolsheviks² launch a successful military take-over of key institutions, and eventually, after a bloody civil war, control what would be called the Soviet Union. The German's bet on Lenin paid off. Lenin, truly believing that a communist revolution would soon spread all over the world, made huge concessions³ to the Germans at the Treaty of Brest-Litovsk and thus took Russia out of the war. As Lenin said "Our revolution was born of the war."

¹ Russian Army General Alexei Budberg would complain that "The regiments have turned into hordes of bastards. Building meetings led by the Bolsheviks. Military life has come to a standstill. The soldiers want peace no matter what the conditions are. They want to go home to work the land and enjoy the results of the revolution."—transcript from movie "The First World War" (2003) <http://movie.subtitlr.com/subtitle/show/580903#line491>

² In 1903 there was a split within the Marxist Russian Social Democratic Labour Party leading to Bolshevik (led by Lenin) and Menshevik factions.

³ Russia lost 26 percent of its territory, 27 percent of its arable land, 26 percent of its railway network, 33 percent of its textile industry, 73 percent of its iron industry and 75 percent of its coal mines. But they would soon get this back after Germany stopped fighting.

Besides the shortages, increase in prices, and overall decline in living standards as tremendous amounts of wealth had to be diverted to feed an unproductive war industry, perhaps the biggest challenge the Germans faced was avoiding malnutrition/starvation. The British had setup a naval blockade whose purpose according to First Lord of the Admiralty and later Prime Minister during WWII Winston Churchill, was to “starve the whole population—men, women, and children, old and young, wounded and sound—into submission” (Denson, p. 222). The blockade was having the desired effect. As one German put it: “Soon women who stood in the pallid queues before shops spoke more about their children’s hunger than about the death of their husbands.” Germans imported about a third of their food supply as well as nitrogenous and phosphatic fertilizers whose reduced supply made local food production less plentiful. It is estimated that the blockade led to the deaths of 750,000 to one million civilians. The British civilian starvation blockade was of questionable legality to say the least. As historian Ralph Raico explains:

“The traditional understanding of international law on this point was expounded a decade and a half earlier by the British Prime Minister, Lord Salisbury:

Foodstuffs, with hostile destination, can be considered contraband of war only if they are supplies for the enemy’s forces. It is not sufficient that they are capable of being so used; it must be shown that this was in fact their destination at the time of the seizure.

... The United States requested that London reconsider its policy. The British expressed their appreciation for American understanding, and quietly resolved to continue with their violations” (Denson J. , 2001, p. 222)

The U.S. ambassador in London, Walter Hines Page, who like many in President Wilson’s administration was strongly pro-British sent a telegram to the State Department denouncing any American protests against the British and mentioned that *“This is not a war in the sense we have hitherto used the word. It is a world-clash of systems of government, a struggle to the extermination of English civilization or of Prussian military autocracy. Precedents have gone to the scrap heap.”* The blockade would eventually play a key role in helping Wilson’s administration join the war.

Wilson’s administration adhered to the absurd notion that Germany should be held accountable for the deaths of Americans traveling in the war zone on British ships. American authority on international law John Bassett Moore remarked on the absurdity of such a policy when he stated:

“what most decisively contributed to the involvement of the United States in the war was the assertion of a right to protect belligerent ships on which Americans saw fit to travel and the treatment of armed belligerent merchantmen as peaceful vessels. Both assumptions were contrary to reason and to settled law, and no other professed neutral advanced them.” (Peterson, p. 112)

Prof. Raico writes :

“Wilson’s Secretary of State[William Jennings Bryan] tried to reason with him: “Germany has a right to prevent contraband going to the Allies, and a ship carrying contraband should not rely upon passengers to protect her from

attack—it would be like putting women and children in front of an army.” William Jennings Bryan reminded the President that a proposed American compromise, whereby Britain would allow food into Germany and the Germans would abandon submarine attacks on merchant ships, had been welcomed by Germany but rejected by England. Finally Bryan blurted out: “Why be shocked by the drowning of a few people, if there is to be no objection to starving a nation?” In June, convinced that the Administration was headed for war, Bryan resigned.” (Denson, p. 225)

On May 7th, 1915 the Germans sank the British liner *Lusitania* leading to the death of 1,195 including 124 Americans. Among the reasons given by the Germans to justify this they mentioned how the ship was carrying 4,200,000 rounds of rifle cartridges and that they placed an ad in the newspaper (next to the ad that advertised passage on the *Lusitania*) that warned that this ship was liable for destruction. The bad press and diplomatic response created by this blunder on the part of the Germans led them to stop their unrestricted submarine warfare for over a year.

A good case can be made to show that the *Lusitania* was left vulnerable on purpose so that her destruction could lure the US into war against Germany, and that such a move would have to have had the approval of the then First Lord of the Admiralty Winston Churchill. As Prof. Raico explains:

“Whether Churchill actually arranged for the sinking of the *Lusitania* on May 7, 1915, is still unclear. A week before the disaster, he wrote to Walter Runciman, President of the Board of Trade that it was “most important to attract neutral shipping to our shores, in the hopes especially of embroiling the United States with Germany.” Many highly-placed persons in Britain and America believed that the German sinking of the *Lusitania* would bring the United States into the war.

The most recent student of the subject is Patrick Beesly, whose Room 40 is a history of British Naval Intelligence in World War I. Beesly’s careful account is all the more persuasive for going against the grain of his own sentiments. He points out that the British Admiralty was aware that German U-boat Command had informed U-boat captains at sea of the sailings of the *Lusitania*, and that the U-boat responsible for the sinking of two ships in recent days was present in the vicinity of Queenstown, off the southern coast of Ireland, in the path the *Lusitania* was scheduled to take. There is no surviving record of any specific warning to the *Lusitania*. No destroyer escort was sent to accompany the ship to port, nor were any of the readily available destroyers instructed to hunt for the submarine. In fact, “no effective steps were taken to protect the *Lusitania*.” Beesly concludes:

“unless and until fresh information comes to light, I am reluctantly driven to the conclusion that there was a conspiracy deliberately to put the *Lusitania* at risk in the hope that even an abortive attack on her would bring the United States into the war. Such a conspiracy could not have been put into effect without Winston Churchill’s express permission and approval.” (Beesly, p. 90)

In any case, what is certain is that Churchill’s policies made the sinking very likely. The *Lusitania* was a passenger liner loaded with munitions of war; Churchill had given orders to the captains of merchant ships, including liners, to ram German submarines if they encountered them, and the Germans were

aware of this. And, as Churchill stressed in his memoirs of World War I, embroiling neutral countries in hostilities with the enemy was a crucial part of warfare: "There are many kinds of manoeuvres in war, some only of which take place on the battlefield. . . . The manoeuvre which brings an ally into the field is as serviceable as that which wins a great battle." (Denson, pp. 332-3)

----- End of Prof. Raico's quote

By late 1916 the Germans were planning to resume unrestricted submarine warfare around the British Isles on February 1st 1917 with the hope that this would quickly cause the British to sign a favorable peace before the Americans could join the war and seriously affect its outcome. On January 16th 1917, British intelligence intercepted the "Zimmermann Telegram" which contained information to be relayed to Mexico offering them assistance in reclaiming land lost to the USA during the Mexican-American war *should* the Americans enter the war on the side of the British due to Germany's decision to resume unrestricted submarine warfare. A few days after the Germans resumed unrestricted submarine warfare around the British Isles the US ended diplomatic relations with Germany. On March 1st the British made public the contents of the "Zimmerman Telegram" causing a storm of anti-German sentiment in the US and soon after, on April 6th, 1917 the US declared war on Germany.

The use of the media to rally the public in support of the war played an important role. When the war broke out, to most Americans the conflict was just a bigger version of one of the usual European scuffles which Americans wanted no part in and seemed so distant. If Germany had been some monstrous evil empire out to conquer the world the US would have joined the Allies immediately, but obviously it wasn't, regardless of the diplomatic blunders committed by a few of its bureaucrats. "In 1908, a survey of how Americans viewed immigrant groups had ranked the Germans as the most admirable." (Flemming, 2003)

The British won the media war. On August 5th, 1914, a day after the British declared war on Germany, the British cut most undersea transatlantic communication cables linking Germany with the rest of the world. Historian Thomas Fleming writes:

"The *New York Times* reported the cutting of the main cables on August 6, 1914. The reporter dutifully noted that from now on, "all word of happenings in Germany must pass through hostile countries—Russia on the east, France on the west, and England on the north."

...

The consul general of Germany's chief ally, Austria-Hungary, in one of the greatest understatements of the twentieth century, told the *Times*. "The cutting of that cable may do us great injury. If only one side of the case is given . . . prejudice will be created against us here."

...

On August 2, 1916, a group of American correspondents in Berlin signed a protest complaining that their dispatches were constantly "suppressed, mutilated or delayed" by the London censor. Americans were not getting the "vital half" of the most important events of the war." (Flemming, pp. 44-45)

By the time the US entered the war, to many Americans Germany was no longer the land of so many of its own immigrants or the land of Mozart, Bach, and Beethoven, it was the land of the evil “Huns”. As Prof. Gordon mentions:

“At all costs, Germany and the Allies were not to be viewed as mere rivals in quest for mastery of Europe. Quite the contrary, the British propagandists claimed that German policy followed a long tradition of savage militarism unparalleled elsewhere... they attempted again and again to portray the Germans as being beyond the pale of civilized humanity... But how could the Germans best be pictured as bestial Huns? Atrocities real or imagined proved the best means of creating the desired image. The British propagandists even stooped so low as to manufacture “evidence” in pursuit of their goal. Thus it was widely alleged that German troops had mutilated babies during their occupation of Belgium... These stories lack any basis in fact, and the British Government admitted that it could not supply adequate documentation for them... Fortunately for the British, German propaganda proved unequal to the task. German pamphlets tended to be stiffly legalistic, and they proved no match for British appeals to passion.” (Denson, pp. 302-3)

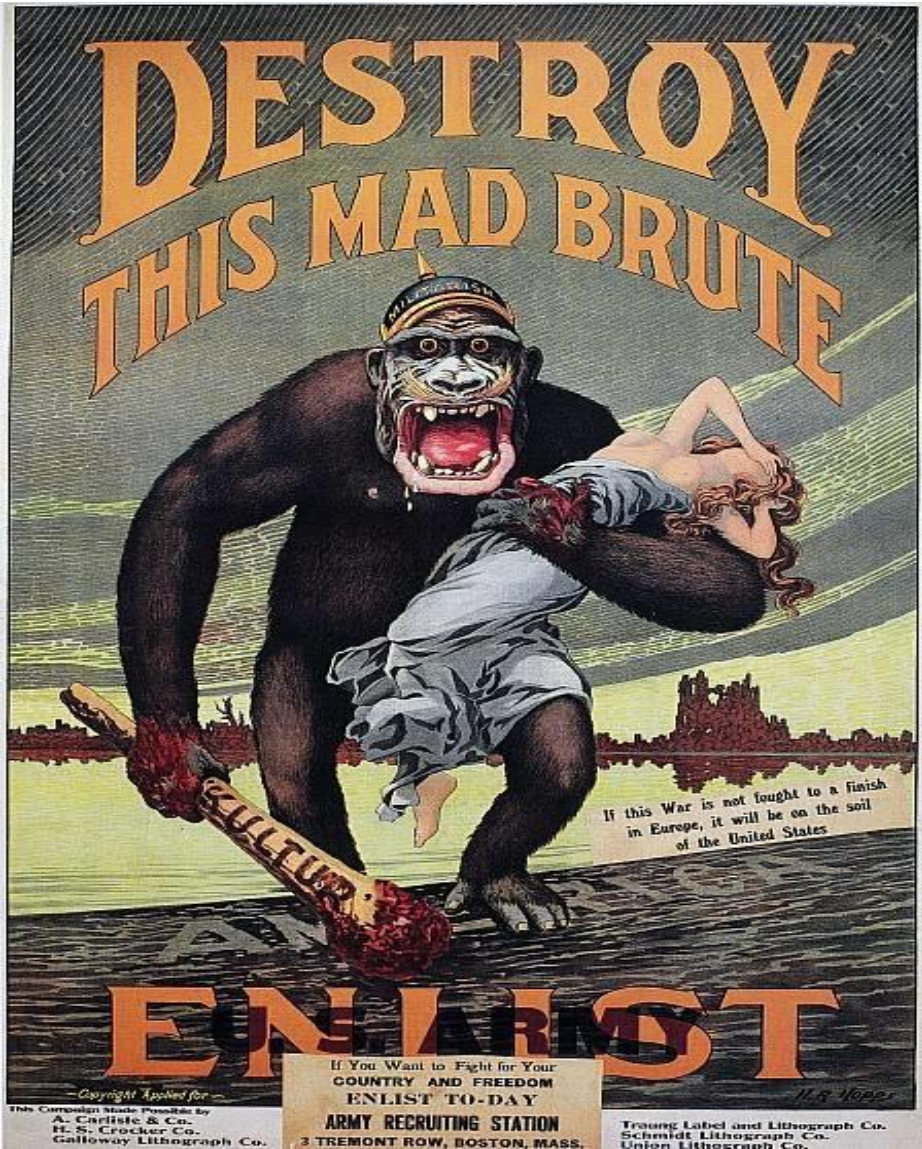
An angry German wrote an open letter to a particularly hated British propagandist, Lord Northcliffe who was the owner of British newspapers *The Times* and *Daily Mail*:

“...German propaganda was in spirit the propaganda of scholars, privy councilors and professors. How could these honest and unworldly men cope with devils of journalism, experts in mass poisoning like yourself? German propaganda, what there was of it, was addressed to the reason, to the intelligence, the conscience... How could such dry stuff as facts cope with the gaudy yarns, the hate hypnotism, the crude... sensations you dished up... The German... steadfastly refused to descend to your level.” (Hansen, p. 12)

It is true that the Keiser loved to dress up and be seen in military uniform thus easily lending himself to propaganda equating the Germans with a sort of militaristic race out to enslave the world, yet as Buchanan reminds us:

“From 1871 to 1914, the Germans under Bismarck and the Keiser did not fight a single war. While Britain, Russia, Italy, Turkey, Japan, Spain, and the United States were all involved in wars, Germany and Austria had clean records. And if Germany had not gone to war in forty-three years, and the Keiser had never gone to war in his twenty-five years on the throne, how can one call Germany—as British statesmen did and British historians still do—the “butcher-bird of Europe?”” (Buchanan, p. 58)

The ARMY recruiting poster below gives a great example of how the masses eventually segregate themselves into the good guys vs. the subhuman beasts.



Another surprising anecdote about the closeness of Germany, Russia, and England is the fact that each country's Monarchs were cousins who shared Queen Victoria for a Grandmother and spent their youths visiting each other and desperately corresponded with each other in attempts to avoid the war. Today we refer to the British monarchy as the 'House of Windsor' yet this 'Windsor' is a completely made up name. England's Kind George V's real family name was the German 'Saxe-Coburg and Gotha' but due to the strong anti-German sentiment that the war brought he changed it to the made-up 'Windsor'.

With the US now on their side and over one million fresh and well equipped American troops in France by early 1918, the French and British

would see little need of discussing amicable peace terms, which brings us to the vindictive Treaty of Versailles, the rise of Hitler and WWII.

On the “eleventh hour of the eleventh day of the eleventh month”, Nov, 11th 1918, an armistice was signed between the Allies and Germans thus bringing an end to the fighting and adding “Armistice Day” to many calendars. The Germans were greatly persuaded to put down their arms thanks to the good will displayed by American president Woodrow Wilson and his “Fourteen Points”¹ as delivered in a speech to Congress on Jan 8th 1918. One month later he would follow up with his “Four Principles” speech where he said the following:

“There shall be no contributions, no punitive damages. People are not to be handed about from one sovereignty to another by an international conference... National aspirations must be respected; peoples may now be dominated and governed only by their own consent. “Self-Determination” is not a mere phrase... All the parties to this war must join in the settlement of every issue anywhere involved in it... Every territorial settlement involved in this war must be made in the interest and for the benefit of the populations concerned, and not as a part of any mere adjustment or compromise of claims amongst rival states” (Link, pp. 321-3)

Unfortunately for the Germans little of Wilson’s words would hold true. With respect to the British hunger blockade Prof. Raico writes:

“Yet the hunger blockade continued, and was even expanded, as the Allies gained control of the German Baltic coast and banned even fishing boats. The point was reached where General Herbert Plumer, commander of the British army of occupation, demanded of London that food be sent to the famished Germans. His troops could no longer stand the sight of “hordes of skinny and bloated children pawing over the offal from British cantonments.” (Denson, p. 240)

A letter by Plumer which was read to US President Wilson, French Prime Minister Georges Clemenceau, and British Prime Minister David Lloyd George while they were in Paris, four months after the armistice, snobbishly deciding how to punish the German people by drawing up what would become the Treaty of Versailles, read as follows:

“Please inform the Prime Minister that in my opinion food must be sent to this area by the Allies without delay... The mortality amongst women, children, and sick is most grave and sickness due to hunger is spreading. The attitude of the population is becoming one of despair, and the people feel that an end by bullets is preferable to death by starvation”

Nearly four months after the Germans put down their weapons, on March 3rd, 1919 Winston Churchill told to the House of Commons that:

“We are enforcing the blockade with rigour...Germany is very near starvation. The evidence I have received from officers sent by the War Office all over Germany shows, first of all, the great privations which the German people are suffering, and secondly, the danger of collapse of the entire structure of German social and national life under the pressure of hunger and

¹ A series of statements with respect to how post-war Europe should behave. For example, point #1 reads as follows: “Open covenants of peace, openly arrived at, after which there shall be no private international understandings of any kind but diplomacy shall proceed always frankly and in the public view.”

malnutrition. Now is, therefore, the moment to settle. To delay indefinitely would be to run a grave risk of having nobody with whom to settle, and of having another great area of the world sink into Boshevik anarchy. That would be a very grave event... It is repugnant to the British nation to use this weapon of starvation—which falls mainly upon the women and children, upon the old, the weak, and the poor, after all the fighting has stopped—one moment longer than is necessary to secure the just terms for which we have fought.” (James, p. 2684)

The most objectionable section of the treaty, Article 231¹, placed all the blame for the war on the German public and would be the basis for attempting to force the Germans to pay for “all the loss and damage”² of the war, essentially partially enslaving the population for several generations.

When Clemenceau handed German foreign minister Ulrich von Brockdorff-Rantzau the terms of the peace, Ulrich replied:

“We can feel all the power of hate we must encounter in this assembly... It is demanded of us that we admit ourselves to be the only ones guilty of this war. Such a confession in my mouth would be a lie. We are far from declining any responsibility for this great world war... but we deny that Germany and its people were alone guilty. The hundreds of thousands of non-combatants who have perished since 11 November by reason of the blockade were killed with cold blood after our adversaries had conquered and victory had been assured to them. Think of that when you speak of guilt and punishment.”⁶

Upon hearing this Clemenceau was furious. Wilson exclaimed “What abominable manners... the Germans are really a stupid people. They always do the wrong thing.” (Johnson, 2001, p. 26) And British Foreign Secretary Lord Balfour, “Beasts they were, and beasts they are.” (Odorfer, p. 292)

American legal expert James Brown Scott who was a member of the American delegation had a much better understanding of what was being committed and prophetically commented that “The statesmen have... made a peace that renders another war inevitable.” David Lloyd George on another occasion mentioned that, “We shall have to do the whole thing over again in twenty five years... at three times the cost.” Wilson’s close aid, Colonel Edward M. House commented in his diary that “The Treaty is not a good one, it is too severe... I desired from the beginning a fair peace, and one well within the Fourteen points, and one that could withstand the scrutiny of the neutral world and of all time. It is not such a peace.” Britain’s top military leader Douglas Haig wisely wrote his wife that “It is important that our Statesmen should ... not attempt to so humiliate Germany as to produce the desire for revenge in years to come.” (Hochschild, p. 341)

Since I just quoted Douglas Haig, let’s briefly say a few things about the sheer carnage of WWI. Militaries, being the biggest and most tribal monopolies governments usually have, tend to be some of the most wasteful and slow changing bureaucracies around. This was sadly on full display in

¹ Article 231: “The Allied and Associated Governments affirm and Germany accepts the responsibility of Germany and her allies for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies.”

² Including pensions of Allied soldiers. The original amount would quickly be reduced after a short while and eventually completely discarded as Hitler rose to power.

WWI and helped lead to even more unnecessary deaths. By the beginning of the 20th century the machine gun had already proven its worth making cavalry charges and frontal assaults disastrous tactics. As military technology improves, toughness, valor, determination, etc. become less and less important, wounding our manly pride, and especially that of those cavalry men who were at one point the most formidable fighting tools, men like Douglas Haig and John French. Instead of using their reason and putting their flamboyant cavalry riding years behind them for the benefit of superior fighting tactics, they spent their lives defending old techniques and downplaying the superior effectiveness of newer weapons like planes, tanks, and machine guns, at the expense of thousands of deaths. In his 1907 book *Cavalry Studies* Haig declared that “the role of Cavalry on the battlefield will always go on increasing...” War historian John Ellis writes that according to:

“the British Cavalry Training Manual of 1907: 'It must be accepted as a principle that the rifle, effective as it is, cannot replace the effect produced by the speed of the horse, the magnetism of the charge, and the terror of cold steel.' Luckily for the Germans, in the First World War, they used machine guns, pill boxes and barbed wire that seem to have been immune to such awesome tactics. That it took the British generals so long to get this through their heads is partly explained by the fact that nearly all of them were cavalry men. Thus Haig, in 1904, attacked a writer who 'sneers at the effect produced by sword and lance in modern war; surely he forgets that it is not the weapon carried but the moral factor of an apparently irresistible force, coming on at highest speed in spite of rifle fire, which affects the nerves and aim of the ... rifleman.' But rare were the cavalry men who came on in spite of sustained machine gun fire. Haig, above all people, should have learnt this simple lesson. Yet in 1926, in a review of a book by Liddell-Hard, Haig asserted that though there were some blasphemous spirits who thought that the horse might become extinct, at least on the battlefield, 'I believe that the value of the horse and the opportunity for the horse in the future are likely to be as great as ever ... Aeroplanes and tanks are only accessories to the man and the horse, and I feel sure that as time goes on you will find just as much use for the horse - the well-bred horse - as you have ever done in the past.' (Ellis, pp. 55-6)

British generals weren't the only ones so slow to change. Ellis continues:

“...within each nation the army above all, nourished as it had been on the old ideals of personal combat and honourable death, found it most difficult to face up to a concept of war in which death struck whole regiments at a time, delivered by an enemy one could not even see.” (Ellis, p. 56)

While describing fighting near the French town of Loos which took place on September 26, 1915 Hochschild writes:

“The British, according to a German account, moved forward in ten columns, “each about a thousand men, all advancing as if carrying out a parade-ground drill. ... Never had machine guns had such straightforward work to do ... with barrels becoming hot ... they traversed to and fro along the enemy's ranks; one machine gun alone fired 12,500 rounds that afternoon. The result was devastating. The enemy could be seen falling literally in hundreds, but they continued to march.” ... As the survivors retreated, the Germans, in a moment of mercy rare for either side, held their fire. “My machine gunners were so filled with pity, remorse and nausea,” a German commander later said, “...that they refused to fire another shot.”” (Hochschild, p. 162)

At 7:30 am July 1st, 1916 the ‘Battle of the Somme’ began, on this single day the British had about 20,000 fatalities and 35,000 wounded. If we assume there

was heavy fighting till about 10pm, a British soldier was either killed or wounded every second. By the war's end there would be 16.5 million deaths and 21 million wounded. Ok, back to the Treaty of Versailles...

Besides having to pay for all war related damages, 6 to 7 million Germans, about 10% of the population, would find themselves ruled by foreign governments as various sections of Germany were being sliced. Alsace and Lorraine went back to French control; over three million ethnic Germans living in the Sudetenland, which was part of the now defunct Austro-Hungarian Empire, would become a minority in the newly created country of Czechoslovakia. The city of Danzig(along with East Prussia) whose population was 95% German was made a 'free city' under the auspices of the League of Nations and cut off from the rest of Germany by the "Polish Corridor"(a segment of land given to Poland so that it would have direct access to the sea.) The Rhineland(German territory on its West frontier) was to become a demilitarized zone administered by France and England. Germany was also essentially disarmed by being limited to an army of 100,000 troops.

Faced with these and many other conditions Germany's first democratically elected Chancellor, Philipp Scheidemann, refused to sign the treaty and resigned, but with the continued hunger blockade and communists gaining increasing control of the country¹, the next German delegation finally agreed to the terms. The humiliation, terms of the treaty, and reparations payments imposed on a war-torn economy would be seen by Germans as one of the main reasons for their economic troubles. Princeton University Professor of Economics Frank D. Graham commenting on the reparations situation wrote that:

"The history of reparations till the adoption of the Dawes Plan in 1924 is an almost incredible tale of stupid persecution...The Allies began by demanding the impossible and they capriciously imposed sanctions when the impossible was not performed." (Graham, p. 30)

Unhappy with Germany's efforts to pay reparations (Germans were defaulting on timber and coal shipments) French and Belgian troops occupied the Ruhr from 1923 to 1925 to extract payment.⁷ The occupation of the Ruhr coincided with the latter stages of Germany's famous bout of hyperinflation² which made it even easier for the Germans to increase their hatred towards the occupiers.

It is important to note that the hyperinflation and economic troubles facing Germany were *not* a result of the reparations although reparations obviously were an economic hindrance. If post-war Germany had low taxes and few regulations, in other words, if it had freedom/capitalism, it would have been able to easily make the payments and quickly grow in prosperity, but this was not to be the case. Some form of socialist/'big government'/anti-

¹ For example: communist "...revolutionaries seized the Kaiser's own Berlin palace, and from the very corner window where the monarch had addressed crowds, Karl Liebknecht proclaimed a soviet republic. The city sprouted red flags..." (Hochschild, p. 339)

²Something that could be purchased with one German mark in July 1914 would cost 726,000,000,000 marks in Nov 1923. At times prices doubled every 49 hours.

capitalist ideology was the tune of the day throughout most Europe and the inevitable strains in the government finances led to the central bank attempting to please everyone by printing more money at inevitably increasing rates. Graham again writes that :

“The Reichsbank was finally reduced to making apologies for its inability to provide for a weekly output of more than several billion (or trillion) of marks of the required denomination and to an expression of its hope that this situation would be quickly remedied by an improvement in the speed of the printing presses! The printing presses did their bit. By the end of inflation the daily output of currency was over 400,000,000,000,000,000 marks.” (Graham, p. 35)

From this chaos, Adolf Hitler, with an unrelenting commitment to undo Germany’s subservient status and return her to her former status of leading socioeconomic powerhouse¹, rose to have the overwhelming support of his people and eventually play the leading role in the disastrous Second World War.

The rise of Hitler and the roots of his eugenics/racial theories

Among the 20th century’s most famous dictators only Hitler seems to be immediately equated with something along the lines of pure evil, but given that there is no such thing as evil, only sequences of thoughts and incentives intertwined with human nature, in the following pages we’ll try to quickly go over the socioeconomic forces and sort of “cultural lemons” which led to Hitler’s actions and such poisonous lemonade.

In his youth Hitler was a passionate young man with ambitions to become a painter. He was twice rejected by the Academy of Fine arts in Vienna thus greatly derailing his path as an artist, but he nonetheless managed to make a living in homeless shelters by painting postcards and selling them on the streets and to art dealers. He would sometimes go hungry in order to save money to attend his favorite plays. This life changed when the First World War broke out and Hitler joined the German army. He was a courageous soldier in one of the most dangerous jobs working as a runner/messenger, delivering information along front lines. Historian John Toland writes:

“By the end of the summer of 1915 Hitler had become indispensable to regimental headquarters. The telephone lines to battalion and company command posts were often knocked out by artillery fire and only runners could deliver messages. “We found out very soon,” recalled Lieutenant Wiedmann, “which messengers we could rely on the most.” He was admired by fellow runners as much for his craftiness-he could crawl up front like one of the Indians he had read about in his boyhood-as his exceptional courage. Yet there was something in Hitler that disturbed some of the men. He was too different, his sense of duty excessive.” (Toland, pp. 52-3)

¹ Prior to events leading to WWII Hitler was liked or admired by many leaders, including British ones who would later become foes. Winston Churchill said of Hitler that:

“One may dislike Hitler’s system and yet admire his patriotic achievement. If our country were defeated I hope we should find a champion as indomitable to restore our courage and lead us back to our place among nations”

As the economic situation deteriorated for the Germans, Toland continues:

“In the face of rebellion at home and impending collapse at the front, Hitler became more argumentative and talked at length of the swindle perpetrated by the Reds. But his voice was lost in the chorus of complaints from replacements. At such times, according to Schmidt, Hitler “became furious and shouted in a terrible voice that the pacifists and shirkers were losing the war.” One day he attacked a new non-com who said it was stupid to continue fighting. They fought with their fists, and finally, after taking considerable punishment, Hitler beat his opponent. From that day, Schmidt recalled, “the new ones despised him but we old comrades liked him more than ever.”

Four years of dehumanizing trench warfare had engendered in Hitler, as in so many other German patriots, an abiding hatred of the pacifists and slackers back home who were “stabbing the Fatherland in the back.” He and those like him burned with zeal to avenge such treachery, and out of all this would come the politics of the future. Hitler was far from the dreamy-eyed volunteer of 1914. Four years in the trenches had given him a sense of belonging along with a degree of self-confidence. Having fought for Germany, he was truly German; and having conducted himself honorably under duress, he had pride in his manhood.” (Toland, p. 57)

Hitler, convinced of his recipe for success and determined to undo the wrongs caused by the Treaty of Versailles, carried himself with the sort of confidence that helped sway the masses. This recipe, a socialist recipe of government control was really not that different than what was going on in places like the US with Roosevelt’s New Deal policies, as well as England’s pro-labor movement/etc. and Mussolini’s statist/fascist regime. Again, some form of big government ideology rooted in easy-to-absorb “viral” economic fallacies was becoming the norm throughout Europe¹. Unlike the Marxism/Socialism of the Russians which was looked upon as a *global* movement in which all men were to be seen as brothers regardless of race fighting a struggle between classes², Hitler’s socialism had a strong racial element based on faulty

¹ For example, Winston Churchill although far from being a socialist of the Hitler/Stalin type was as much a believer and enthusiastic supporter of using the State to manage the increasing complexity of the social order as some of his contemporaries. He wrote:

“The whole tendency of civilisation is, however, towards the multiplication of the collective functions of society. The ever-growing complications of civilisation create for us new services which have to be undertaken by the State, and create for us an expansion of existing services. . . . There is a pretty steady determination . . . to intercept all future unearned increment which may arise from the increase in the speculative value of the land. There will be an ever-widening area of municipal enterprise. I go farther; I should like to see the State embark on various novel and adventurous experiments. . . I am of the opinion that the State should increasingly assume the position of the reserve employer of labour. I am very sorry we have not got the railways of this country in our hands. We may do something better with the canals. . . the State must increasingly and earnestly concern itself with the care of the sick and the aged, and, above all, of the children. I look forward to the universal establishment of minimum standards of life and labour. . . I would recommend you not be scared in discussing any of these proposals, just because some old woman comes along and tells you they are Socialistic.” (Churchill W. S., 2006, pp. 58-9)

² Marxist dogma divided society in to two classes, the ‘bourgeoisie’ being the business/land/factory owners, and the ‘proletariat’ being the wage laborers who supposedly were being exploited by the bourgeoisie who got to keep all the profits without seemingly doing any work or making a

evolutionary and economic thinking. This racial element would limit the appeal of his ideology to only a few Aryan/white peoples. Another important element of Hitler's ideology was the policy of *Lebensraum* ('living space'). Hitler felt like Germany was overpopulated compared to its sort of racial greatness, and based on a kind of 'survival of the fittest' thinking, he felt like it was naturally justified that Germany should expand eastward at the expense of the supposedly inferior Slavs¹.

Hitler's racist ideology was created in some part thanks to pseudoscientific beliefs shared by many scientists during the time as well as by the usual economic fallacies. For example, with the right understanding of economics we know that there is no such thing as a significant shortage of natural resources or living space and thus no need for the colonization of far-away lands for their raw-materials or living space, in other words, there is no need for *Lebensraum*, or empire of any kind (including the British Empire which people like Winston Churchill so adamantly spent his whole life defending). We also know that population growth is a good thing, and that real technological innovation comes about not so much from "smart" individuals, but from the workings of the market process and how it manages to combine the intelligence of all human beings to create a sort of super-smart 'social order'/computer. Without an understanding of these concepts it is easy for people to fall for the idea that one of the ways to reach a more prosperous future is to use eugenics, or to discourage or prevent the reproduction of those who are seen as less smart or productive so that we can have more resources left over for the smarter or more productive people. If you erroneously see technological achievement as a result of individual intelligence then it makes sense that in order to improve technological achievement, and thus the future of mankind, you might need to improve the individual via eugenics and all that stuff. This was becoming a "viral" fallacy spreading through the minds of many scientists during the early 20th century, especially the minds of scientists who did not like or felt threatened by non-whites.

contribution towards the creation of wealth.

¹ Hitler saw the world in the usual zero-sum way but also saw it as a struggle between races, a way of looking at things which I am sure makes a lot of sense to many even to this day. Here is an example from Hitler's *Mein Kampf* (My Struggle) which is representative of his ideology and I believe can make sense to many in a superficial level thus leading to popular support:

"North America, whose population consists in by far the largest part of Germanic elements who mixed but little with the lower colored peoples, shows a different humanity and culture from Central and South America, where the predominantly Latin immigrants often mixed with the aborigines on a large scale. By this one example, we can clearly and distinctly recognize the effect of racial mixture. The Germanic inhabitant of the American continent, who has remained racially pure and unmixed, rose to be master of the continent; he will remain the master as long as he does not fall a victim to defilement of the blood."

Again, this sort of thinking, and its manifestation in Germany was just a more exaggerated version of the racism used by Western powers to colonize the world. In some ways Hitler's thinking was not that different than people like US president Theodore Roosevelt when he said: "I am . . . a believer in the fact that it is for the good of the world that the English-speaking race in all its branches should hold as much of the world's surface as possible." —Roosevelt Letters, 2:1 176-77

To Hitler, government/"The State's "purpose is to preserve and promote a community of human beings who are physically as well as spiritually kindred. Above all, it must preserve the existence of the race"

The Holocaust was not just about killing Jews because Hitler and some people didn't like them for reasons we'll get to in a second. There was a supposedly scientific explanation for their extermination, for the need to keep superior/Aryan "blood" from being contaminated or degraded by supposedly inferior races. As psychiatrist Peter Breggin explains:

"The German citizen was taught that the people (*Volk*) must be cleansed of genetically defective individuals and groups—first, the mentally and psychiatrically impaired, and later the racially inferior. This cleansing would prevent further contamination of society. The participation of medical doctors—lead by psychiatry—justified the process." (Breggin & Breggin, p. 131)

With respect to the formation of Hitler's ideas on eugenics and what would lay the pseudoscientific foundation/apology for his racism and eventually the Holocaust, Breggin writes:

"While writing *Mein Kampf* in prison, Hitler reportedly read the leading German eugenic textbook by Baur, Fischer, and Lenz(1923). German researchers Christian Pross and Götz Aly agree that "Hitler bases his racist and eugenic theories in *Mein Kampf* on large parts of this book." J. Lauter and J.-E. Meyer report that Hitler used Binding¹ and Hoche's 1920 euthanasia textbook "in justification of the extermination of mental patients." (Breggin & Breggin, p. 133)

It was actually the medical establishment in the US which spearheaded the pseudoscientific eugenics ideas which would eventually help shape Hitler's own views on the subject. California eugenics leader C. M. Goethe bragged to a colleague upon his return from a trip to Germany in 1934:

"You will be interested to know that your work has played a powerful part in shaping the opinions of the group of intellectuals who are behind Hitler in this epoch-making program. Everywhere I sensed that their opinions have been tremendously stimulated by American thought . . . I want you, my dear friend, to carry this thought with you for the rest of your life, that you have really jolted into action a great government of 60 million people."⁸

Let's quote Breggin again:

"When Hitler's sterilization laws took effect in January 1934, the well-known California eugenicist Paul Popenoe quickly lavished praise on both the German dictator and his programs. While Popenoe was not a psychiatrist, he worked with and reported on the sterilization program carried out against mental hospital inmates in California. Writing in the *Journal of Heredity* in 1934, Popenoe quoted enthusiastically from *Mein Kampf* stating "it is merely an accident that it happened to be the Hitler administration which was ready to put into effect the recommendations of the specialists." He opined that "the present German government has given the first example in modern times of an administration based frankly and determinedly on the principles of

¹ Here Breggin is referring to "one of Germany's most outstanding jurists" Karl Binding, and Alfred Hoche "one of its most esteemed psychiatrists." Who in 1920, "before Hitler came to power, they co-authored the first book justifying large-scale medical exterminations. It was entitled *The Sanctioning of the Destruction of Life Unworthy of Living*. Hoche, like many of today's biopsychiatrists, was openly critical of psychologically oriented psychiatrists, considering them unscientific." (Breggin & Breggin, p. 131)

eugenics.” Popenoe viewed the Third Reich as an ideal—the world’s first mental hygiene state. He had been to Germany to encourage them with their unfolding eugenic plans. In 1936 Marie Kopp pointed proudly to the moral and scientific support the German authorities received from their American counterparts: “The leaders in the German sterilization movement state repeatedly that their legislation was formulated only after careful study of the California experiment....” She correctly observed “the legal sterilization of mental incompetents originated in the United States.” Shortly after the promulgation of the Nazi sterilization laws, the Journal of the American Medical Association published a lengthy report⁹ on the law and its many expected benefits. In a positive tone, it observed that 400,000 German sterilizations were soon expected” (Breggin & Breggin, pp. 133-4)

Let’s go a bit further back and look at the beginnings of American eugenics. According to Univ. of Richmond Prof. Ladelle McWhorter:

“The beginnings of the American eugenics movement might be said to lie in the 1890s, with the first organized efforts to restrict immigration for reasons of biological inferiority and population control. In 1894 three members of the Harvard class of 1899—Prescott F. Hall, Robert DeCourcy Ward, and Charles Warren—founded the Immigration Restriction League. Their goal was to pass legislation to prevent immigration from countries they believed were peopled by inferior racial stock...in 1907, President Roosevelt reached a “Gentlemen’s agreement” with Japan to halt Japanese immigration to the United States, and Congress established an Immigration Commission to study the impact of immigrants on U.S. society

...

It took up the League’s call for a literacy requirement(which was enacted ten years later). But the immigration restriction movement got its biggest boost in 1910 when the U.S. Public Health Service invited psychologist Henry Goddard to Ellis Island to administer his new IQ test to immigrants. After several months of testing, Goddard reported that, by the measure of his version of Theodore Simon and Alfred Binet’s Intelligence Quotient Test, 40 percent of Jews arriving at the port(mostly from Eastern Europe) were feebleminded.”” (McWhorter, pp. 203-4)

It makes sense that America would take the lead in exacerbating racial problems since it is a nation built by immigrants and their coming together might lead to some frictions. The institution of slavery and the culture that evolved around it was also more susceptible to ideologies that attempt to justify the inferiority of the enslaved. Interracial sex between black men and white women was also a big thorn in the US leading to many laws preventing their union and a mindset which wanted to somehow prove the inferiority of blacks to help avert such unions and a whole lot more, but more on this in a later chapter.

Ok, so back to Hitler’s Germany. Dr. Breggin speculates as to “How could they do it?”:

“Many people have wondered how ordinary Germans could have become inured to working in Holocaust murder camps. One key lies in the medicalization of murder in the euthanasia centers, where, in Muller-Hill’s words, the victims were “gassed by killer teams headed by psychiatrists.” The psychiatrists did not merely supervise: “It was the duty of the psychiatrist to open the valve of the cylinder containing the carbon monoxide.”

If *doctors* legitimized and carried out the murders, others could more easily rationalize their own participation in the “special treatment.” The presence of physicians and other health professionals also disguised the lethal purpose from the victims. These medical murder centers pioneered the use of fake wooden soap and other details to disguise the carbon monoxide gas chambers as showers, and the mass cremation of bodies to hide the fate of the victims. In *The Murderers Among Us*, famed Nazi-hunter Simon Wiesenthal reports that the psychiatric euthanasia centers were structured like medical schools.” (Breggin & Breggin, pp. 127-8)

In his book *Racial Hygiene: Medicine Under the Nazis* Prof. Robert Proctor writes:

“...gas chambers at psychiatric institutions in southern and eastern Germany were dismantled and shipped east, where they were reinstalled at Belzec, Majdanek, Auschwitz, Treblinka, and Sobibor. The same doctors and technicians and nurses often followed the equipment. Germany's psychiatric hospitals forged the most important practical link between the destruction of the mentally ill and handicapped and the murder of Germany's ethnic and social minorities.” (Proctor, p. 212)

So given these last few paragraphs we can get a feel for the crucial role that racism, pseudo scientism, and psychiatry played in the Holocaust. Hitler did not bring about the Holocaust because he was some “crazy evil madman”, a sequence of thoughts, incentives and circumstances—which included a powerful dose of bogus science and psychiatry—entered his mind and helped lead to it.

And then there is of course, Hitler's strong hatred of Jews; a dislike which existed without the need of bogus racist scientific ideas. But why?

The unfortunate relationship between Jews and Socialism

We have already discussed the sort of interplay or co-evolution of Judaism and Capitalism, and based on this one can see how the relative overrepresentation of Jews in new Capitalist institutions like banking¹⁰ and stock exchanges and the hatred of these institutions by the ignorant public would play an important role in associating Jews with everything that was despised about Capitalism¹¹. Jews had two more characteristics which made them susceptible to the hatred or indifference that culminated in the Holocaust. The first is somewhat obvious but will be mentioned nonetheless; Jews had significant religious differences and saw gentiles/non-Jews as being different than themselves. In other words, they were always a sort of different tribe and given our tribal nature this made them susceptible to seeing themselves as distinct and often times superior to gentiles, and vice versa with non-Jews seeing Jews as inferior, a combination of factors that would often lead to hostility towards Jews as history has repeatedly shown.

Let us briefly speculate about social groups and the ideologies that sustain them. A group whose members easily leave or desert to other groups would lose the very benefits of being a group and would thus be naturally selected against compared to those groups whose ideologies led to a strong cohesion between its members. In other words, groups that do not have a strong group identity lose and are replaced by those groups that have a strong

group identity. Relating the concept of the “self” that an individual forms as he grows up, with characteristics shared by other group members, and making these traits seem superior to those of people outside of the group seems to be a commonly evolved way to achieve group cohesion. Here is what I mean but using Jews as an example, MacDonald writes that(long quote):

“The in-group develops a *positive distinctiveness*, a *positive social identity*, and increased self-esteem as a result of this process. Within the group there is a great deal of cohesiveness, positive affective regard, and camaraderie, while relationships outside the group can be hostile and distrustful.

...Individuals maximize the differences between in-group and out-group in a manner that accentuates the positive characteristics of the in-group. They do so precisely because of this(theoretically) primitive need to categorize themselves as a member of a group with characteristics that reflect well on the group as a whole and therefore on themselves individually. For example, Gitelman(1990,8), describing Jewish identity processes in the former Soviet Union, notes that Jews developed a great curiosity about Jewish history “not merely from a thirst for historical knowledge, but from a need to locate oneself within a group, its achievements, and its fate. It is as if the individual’s own status, at least in his own eyes, will be defined by the accomplishments of others who carry the same label. ‘If Einstein was a Jew, and I am a Jew, it does not quite follow that I am an Einstein, but...’”

...The result of these categorization processes is group behaviour that involves discrimination against the outgroup and in favor of the ingroup; beliefs in the superiority of the ingroup and inferiority of the outgroup; and positive affective preference for the ingroup and negative affect directed toward the outgroup. Although groups may be originally dichotomized on only one dimension (e.g., Jew/gentile), there is a tendency to expand the number of dimensions on which the individuals in the groups are categorized and to do so in an evaluative manner.

Thus a Jew would be expected to not only sharply distinguish between Jews and gentiles, but come to view gentiles as characterized by a number of negative traits (e.g., stupidity, drunkenness), while Jews would be viewed as characterized by corresponding positive traits (e.g., intelligence, sobriety).

A series of contrasts is set up in the mind of the shtetl¹ child, who grows up to regard certain behavior as characteristic of Jews, and its opposite as characteristic of Gentiles. Among Jews he expects to find emphasis on intellect, a sense of moderation, cherishing of spiritual values, cultivation of rational, goal-directed activities, a "beautiful" family life. Among Gentiles he looks for the opposite of each item: emphasis on the body, excess, blind instinct, sexual license, and ruthless force. The first list is ticketed in his mind as Jewish, the second as goyish. (Zborowski and Herzog 1952, 152)

As expected, Zborowski and Herzog (1952, 152) find that this world view was then confirmed by examples of gentile behaviour that conformed to the stereotype, as when gentiles suddenly rose up and engaged in a murderous pogrom against the Jews. There was also a clear sense that the attributes of the ingroup are superior qualities, and those of the outgroup are inferior. Jews valued highly the attributes that they considered themselves high on and viewed the characteristics of the gentiles in a very negative manner. There was a general air of superiority to gentiles. Jews returning from Sabbath services

¹ A “shtetl” is a small neighborhood of Jews

"pity the barefoot goyim, deprived of the Covenant, the Law, and the joy of Sabbath . . . 'We thought they were very unfortunate. They had no enjoyment . . . no Sabbath . . . no holidays . . . no fun . . . ' They'd drink a lot and you couldn't blame them, their lives were so miserable!'"

The negative attitudes were fully reciprocated. Zborowski and Herzog (1952, 157) note that both Jews and gentiles referred to the other with imagery of specific animals, implying that the other was subhuman. When a member of the other group dies, the word used is the word for the death of an animal. Each would say of one's own group that they "eat," while members of the other group "gobble." "The peasant will say, 'That's not a man, it's a Jew.' And the Jew will say, 'That's not a man, it's a goy.'" (Zborowski and Herzog 1952, 157).¹²

—End of MacDonald quote

The bottom line is that groups inevitably evolve ideologies that make the in-group members seem superior to the non-members and this sort of thing plays a significant role in Jew/Gentile relations/troubles.

The second and more important reason for Hitler's hatred against Jews was the overrepresentation of Jews in the Communist movement which made it easy for Hitler and many others to equate Jews with Communism, or see Communism as a movement largely dominated/influenced/controlled by Jews.

How prevalent were Jews¹ in spreading/implementing Socialist/Communist ideology? First of all there was Karl Marx, Communism's main intellectual who gave the movement enough of a naïve intellectual aura to mislead hundreds of future would-be tyrants. Leon Trotsky (born Lev Davidovich Bronstein), founder of the Red Army, second only to Lenin and most likely to succeed him as leader of the Russian communists was also an ethnic Jew. Slezkine mentions that:

"At the First All-Russian Congress of Soviets in June 1917, at least 31 percent of Bolshevik delegates (and 37 percent of Unified Social Democrats) were Jews. At the Bolshevik Central Committee meeting of October 23, 1917, which voted to launch an armed insurrection, 5 out of the 12 members present were Jews. Three out of seven Politbureau members charged with leading the October uprising were Jews (Trotsky, Zinoviev, and Grigory Sokolnikov)." (Slezkine, p. 175)

And also that:

"Molotov recalled that after Lenin's death, the ethnic Russian Rykov was chosen over the more competent Kemenev as the new head of the Soviet government (Sovnarkom) because "in those days Jews occupied many leading positions even though they made up a small percentage of the country's population." (Slezkine, p. 244) .

Winston Churchill wisely recognized the tremendous role Jews have played in spreading moral traditions both for good, as in the foundation of

¹ While discussing Jews involved in Communism I am referring to people with Jewish biological lineage not religious Jews. Good communists rejected all religious belief.

Christian morals, and for bad, as in the case of their involvement in Communism.

“Some people like Jews and some do not; but no thoughtful man can doubt the fact that they are beyond all question the most formidable and the most remarkable race which has ever appeared in the world. . . . The conflict between good and evil which proceeds unceasingly in the breast of man nowhere reaches such an intensity as in the Jewish race. The dual nature of mankind is nowhere more strongly or more terribly exemplified. We owe to the Jews in the Christian revelation a system of ethics which, even if it were entirely separated from the supernatural, would be incomparably the most precious possession of mankind, worth in fact the fruits of all other wisdom and learning put together. On that system and by that faith there has been built out of the wreck of the Roman Empire the whole of our existing civilization. And it may well be that this same astounding race may at the present time be in the actual process of producing another system of morals and philosophy, as malevolent as Christianity was benevolent, which, if not arrested, would shatter irretrievably all that Christianity has rendered possible. It would almost seem as if the gospel of Christ and the gospel of Antichrist were destined to originate among the same people; and that this mystic and mysterious race had been chosen for the supreme manifestations, both of the divine and the diabolical. . . .

There is no need to exaggerate the part played in the creation of Bolshevism and in the actual bringing about of the Russian Revolution, by these international and for the most part atheistical Jews, it is certainly a very great one; it probably outweighs all others. With the notable exception of Lenin, the majority of the leading figures are Jews. Moreover, the principal inspiration and driving power comes from the Jewish leaders. Thus Tchitcherin, a pure Russian, is eclipsed by his nominal subordinate Litvinoff, and the influence of Russians like Bukharin or Lunacharski cannot be compared with the power of Trotsky, or of Zinovieff, the Dictator of the Red Citadel (Petrograd) or of Krassin or Radek—all Jews. In the Soviet institutions the predominance of Jews is even more astonishing. And the prominent, if not indeed the principal, part in the system of terrorism applied by the Extraordinary Commissions for Combating Counter-Revolution has been taken by Jews. . . .”¹³

It should be noted that in many ways Churchill was just as fixated on Jewish conspiracies to dominate the world as was Hitler. In the same article quoted above Churchill writes with respect to “International Jews” and socialists:

“The adherents of this sinister confederacy are mostly men reared up among the unhappy populations of countries where Jews are persecuted on account of their race. Most, if not all, of them have forsaken the faith of their forefathers, and divorced from their minds all spiritual hopes of the next world. This movement among the Jews is not new. From the days of Spartacus-Weishaupt to those of Karl Marx, and down to Trotsky (Russia), Bela Kun (Hungary), Rosa Luxembourg (Germany), and Emma Goldman (United States), this world-wide conspiracy for the overthrow of civilisation and for the reconstitution of society on the basis of arrested development, of envious malevolence, and impossible equality, has been steadily growing. It played, as a modern writer, Mrs. Webster, has so ably shown, a definitely recognisable part in the tragedy of the French Revolution. It has been the mainspring of every subversive movement during the Nineteenth Century;

and now at last this band of extraordinary personalities from the underworld of the great cities of Europe and America have gripped the Russian people by the hair of their heads and have become practically the undisputed masters of that enormous empire.”

In 1924 Lenin's sister Anna discovered that their maternal grandfather was Jewish thus making Lenin 1/4th Jewish by blood, information which Stalin ordered to “keep absolutely quiet.” (Slezkine, p. 246)

Lenin mentioned that:

“The fact that there were many Jewish intelligentsia members in the Russian cities was of great importance to the revolution. They put an end to the general sabotage that we were confronted with after the October Revolution... The Jewish elements were mobilized... and thus saved the revolution at a difficult time. It was only thanks to this pool of a rational and literate labor force that we succeeded in taking over the state apparatus” (Slezkine, p. 224)

More by Slezkine :

“The mass migration of Jews to the big cities, their close identification with Bolshevism, and their emergence as the core of the new Soviet Russian intelligentsia provoked hostility among those who objected to the arrival of these new immigrants, did not approve of Bolshevism, or could not, for various reasons, join the new Soviet Russian intelligentsia. “If you only knew what the city's population looks like,” wrote one Leningrad resident to a friend in the United States in 1925, “what kind of revolting Jewish types you run into—with earlocks, speaking their croaking, hiccupping jargon.” And as another one wrote to a correspondent in Yugoslavia three months later, “the sidewalk is filled with people in leather jackets and gray trench coats, spitting sunflower seeds in your face, and there are so many Jews with long earlocks feeling totally at home that you might as well be in Gomel, Dvinsk, or Berdichev.” One Muscovite, in a letter sent to Leningrad in April 1925, felt the same way: “I don't go to public places anymore and try not to walk around too much because of the aggravation of having to look at Jewish faces and Jewish store signs. Pretty soon, a Russian sign will become a rarity in Moscow, or should I say, New Berdichev. This Soviet nation is everywhere; I make the point of not reading newspapers or servile literature.”

The association of Jews with the Soviet state was a common theme in the anti-Jewish letters intercepted by the Leningrad secret police in the mid-1920s. “The Jewish dominance is absolute”(October 1924); “the whole press is in the hands of the Jews”(June 1925); “the Jews, for the most part, live extremely well; everything, from trade to state employment, is in their hands”(September 1925); “every child knows that the Soviet government is a Jewish government”(September 1925) ... The art historian A. Anisimov wrote to a colleague in Prague (in November 1923), “Out of 100 applicants to Moscow University, 78 are Jews; thus, if the Russian university is now in Prague, the Jewish one is in Moscow.” The father of a student about to be “purged” for alien origins wrote to a friend or relative in Serbia: “Pavel and his friends are awaiting their fate. But it's clear that only Jerusalem academics and the Communists, Party members generally, are going to stay.” And according to the wife of a Leningrad University professor, “in all the institutions, only workers and Israelites are admitted; the life of the intelligentsia is very hard.” (Slezkine, pp. 242-3)

...“But the Jews were not just the most revolutionary (along with Latvians) national group in the Russian Empire. They were also the best at being

revolutionaries. As Leonard Schapiro put it, “It was the Jews, with their long experience of exploiting conditions on Russia’s western frontier which adjoined the pale for smuggling and the like, who organized the illegal transport of literature, planned escapes and illegal crossings, and generally kept the wheels of the whole organization running.”... “The Jewish revolutionary and educational networks—of people, books, money, and information—were similar to the traditional commercial ones.” (Slezkine, p. 154)

...“I.O. Levin wrote ruefully in 1923, “One of the paradoxes of the Jewish fate is undoubtedly the fact that the same rationalism that was one of the causes of their outstanding role in the development of capitalism was also the cause of their no less outstanding participation in the movements directed against capitalism and the capitalist order”” (Slezkine, p. 156)

Perhaps the most regretful Jewish involvement in Socialism was their overrepresentation in the top echelons of the Soviet secret police, Slezkine writes that:

“In 1923, at the time of the creation of the OGPU(the Cheka’s successor¹), Jews made up 15.5 percent of all “leading” officials and 50 percent of the top brass (4 out of 8 members of the Collegium’s Secretariat). “Socially alien” Jews were well represented among Cheka-OGPU prisoners, too, but Leonard Schapiro is probably justified in generalizing (especially about the territory of the former Pale) that “anyone who had the misfortune to fall into the hands of the Cheka stood a very good chance of finding himself confronted with and possibly shot by a Jewish investigator.” (Slezkine, p. 177) ... “Indeed, the Soviet secret police—the regime’s sacred center, known after 1934 as the NKVD—was one of the most Jewish of all Soviet institutions. In January 1937, on the eve of the Great Terror², the 111 top NKVD officials included 42 Jews, 35 Russians, 8 Latvians, and 26 others. Out of twenty NKVD directorates, twelve(60 percent, including State Security, Police, Labor Camps, and Resettlement[deportations]) were headed by officers who identified themselves as ethnic Jews. The most exclusive and sensitive of all NKVD agencies, the Main Directorate for State Security, consisted of ten departments: seven of them(...) were run by immigrants from the former Pale of Settlement³. Foreign service was an almost exclusively Jewish specialty (as was spying for the Soviet Union in Western Europe and especially in the United States). The Gulag, or Main Labor Camp Administration, was headed by ethnic Jews from 1930, when it was formed, until late November 1938, when the Great Terror was almost over.” (Slezkine, pp. 254-5)

With respect to Jews and Communism in America(New York©), one of my favorite ethnic Jews of all time, Murray N. Rothbard, explained the Jewish fervor for Communism at the time when he wrote the following:

“I grew up in a communist culture; the middle-class Jews in New York whom

¹ The Cheka was the original secret police, later renamed the OGPU and later the NKVD.

² The “Great Terror/Purge” was a series of campaigns of political repression during 1937-8. Stalin’s secret service apparatus (NKVD at the time) detained over 1.5 million people, and shot over 650,000 of them. Much of the upper echelons of the Army were replaced/shot/sent to camp.

³ The Pale of Settlement was a large swath of land on the eastern side of Russia where Jews were allowed to live.

I lived among, whether family, friends, or neighbors, were either communists or fellow-travelers in the communist orbit. I had two sets of Communist Party uncles and aunts, on both sides of the family. But more important, the one great moral question in the lives of all these people was: Should I actually join the Communist Party and devote the whole of my life to the cause, or should I remain a fellow-traveler and "selfishly" devote only a fraction of my energy to communism?"¹⁴

Why did Jews reach such disproportionate heights in the push for Socialism? For a people who were sometimes seen as foreigners, Socialism's international brotherhood ("Workers of the world, unite!" was to be a popular rallying cry) would seem to have an additional appeal and be a perfect fit for a people who were already a sort of international family. Socialism's atheism would also do away with a major source of Jewish troubles now that everyone was supposed to be atheist/irreligious in the new scientific and rational Socialist world. In the Soviet Union Jews were also disproportionately better educated than the larger Russian public thus making them better suited to feed the employment needs of the growing Soviet central planning bureaucracy¹. The central and viral economic fallacy of Socialism, that having smart people/"experts" plan the social order would be better than letting selfish and greedy businessmen do so, needed the smarter and better educated to be the planners, and this is exactly what Jews were compared to the rest(at least in the Soviet Union), thus naturally rising to the top of the movement.

This large participation/association of ethnic Jews with Socialism would have disastrous consequences for the majority of Jews, who did not want to be a part of Socialism or much less abandon their faith and traditions. As Lenin and Trotsky were launching Russia into a civil war between the Communist Red Army and the White Russian Army which supported the Russian Monarchy, Jews would pay a heavy price. Historian Paul Johnson writes that:

"The consequences for the Jews both immediate and long-term, both locally and world-wide, were appalling. The White Russian armies, seeking to destroy the Soviet regime, treated all Jews as enemies. In the Ukraine, the Civil War developed into the most extensive pogrom in Jewish history. There were more than 1,000 separate incidents involving the killing of Jews. Over 700 communities in the Ukraine were involved and several hundred more in Russia. Between 60,000 and 70,000 Jews were murdered. In other parts of eastern Europe, a similar identification of Jews with Bolshevism led directly to

¹ Slezkine: "The Jews were, consistently and by a substantial margin, the most literate group in the Soviet Union(85 percent, as compared to 58 percent for Russians, in 1926; and 94.3 percent, as compared to 83.4 percent for Russians, in 1939)...By 1939, 26.5 percent of all Jews had had a high school education(as compared to 7.8 percent of the population for the Soviet Union as a whole and 8.1 percent of Russians in the Russian Federation). In Leningrad, the proportion of high school graduates among Jews was 40.2 percent(as compared to 28.6 percent for the city as a whole). The number of Jewish students in the two upper grades of Soviet high schools was more than 3.5 times their share in the general population." (Slezkine, p. 222)

Chaim Weizmann, Israel's first president, recalls in his autobiography the simple fact that : "the non-Jewish population had not the same overwhelming thirst for knowledge as the Jews, who were always knocking at the doors of the schools." See "Trial and Error, the Autobiography of Chaim Weizmann" 1940 page 18

murderous attacks on harmless Jewish communities. They were particularly bloody in Poland after the failure of the Bolshevik invasion and in Hungary after the fall of the Bela Kun¹ regime. They occurred intermittently in Rumania throughout the 1920s. In all three countries the local Communist Parties had been largely created and run by Non-Jewish Jews, and in each case it was the unpolitical, traditional, observant Jews of the ghettos and villages who paid the penalty.” (Johnson, 2001, p. 452)

So... Given what has just been described one can see how people like Russian V.V. Shulgin who defended the Russian Monarchy and was thus opposed to the socialist revolution wrote to Jews in general:

“We do not like the fact that you took too prominent a role in the revolution, which turned out to be the greatest *lie and fraud*. We do not like the fact that you became *the backbone and core of the Communist Party*. We do not like the fact that, with your discipline and solidarity, your persistence and will, you have consolidated and strengthened for years to come the maddest and bloodiest enterprise that humanity has known since the day of creation. We do not like the fact that this experiment was carried out *in order to implement the teachings of a Jew, Karl Marx*. We do not like the fact that this whole terrible thing was done *on the Russian back* and that it has cost us Russians, all of us together and each one of us separately, unutterable losses. We do not like the fact that you, Jews, a relatively small group within the Russian population, participated in this vile deed *out of all proportion to your numbers*.”¹⁵

So it is that one can begin to understand how it is that so many people like Hitler came to the views they adopted. Obviously this does not justify the suffering that the Jews have endured prior to, during, and following the Holocaust, but it is important to realize that hatred has a sort of root; that it all comes down to sequences of thoughts intertwined with human nature and circumstances, and NOT the foolish assumption that some people are just “evil” or that different from us.

The birth of Israel

Every once in a while, too often I'm afraid, I stumble upon some knowledge that makes me think along the lines of “This is so important! How did I not know about this?” The birth of the modern nation/state of Israel and the key role that Israel plays in geopolitics made me feel that way and I hope this brief introduction does the same to the reader. Part of what makes looking at this subject so interesting is that to really understand its implications requires an understanding of just about everything that has been discussed in this book, an understanding of human nature, religion, economics, history and so on.. Anyways, we continue.

Another bit of important history that grew out of the First and Second World Wars and continues to have tremendous repercussions is what is commonly referred to as the Israeli/Palestinian conflict.

As Europe increased its dominance of the world towards the early

¹ Bela Kun was a Jewish Communist leader who briefly gained power in Hungary in 1919.

1900s, so did the potential influence of European Jews. Given their ill treatment in the form of pogroms, legal restrictions and religious zeal, eventually the idea of having their own country/state (an ideology which is known as Zionism) gained enough traction. Theodore Herzl, the sort of father of Zionism, envisioned this country in Palestine which contained many ancestral Jewish sites like Jerusalem. At first his pitch for Zionism was not very popular. The rabbinical establishment, reflecting views shared by most Jews in Munich, Germany, where Herzl wanted to hold the First Zionist Congress, strongly rejected the idea¹ so the meeting was moved to Basle Switzerland (29-31st/8/1897). But the appeal of this idea attracted enough committed followers to eventually win over leading British authorities, who thanks to the defeat of the Ottoman Empire which had allied itself with a defeated Germany, now had control of Palestine. British Prime Minister Lloyd George having grown up with the Bible was supportive of the idea: "I was taught far more about the history of the Jews than about the history of my own land. I could tell you all the kings of Israel. But I doubt whether I could have named half a dozen of the kings of England, and not more of the kings of Wales."¹⁶ At some point, feeling like the Ottoman Empire which ruled over Palestine would never allow them to have it, Herzl hired a politically connected lawyer at the time, David Lloyd George, to lobby the Brits into agreeing to let Jews establish a homeland in Uganda. But most Jews would have little interest in going there and for obvious reasons they wanted Palestine. American president Woodrow Wilson too liked the idea: "To think, that I the son of a manse should be able to help restore the Holy Land to its people."

On November 2nd 1917, via the 'Balfour Declaration'², the British

¹ They told him things like :

"...how can one speak with people who on the one hand are fanatics regarding Jewish nationhood and, on the other hand, complain that the Austrian government required a baptismal certificate from the candidate for the position of secretary of Bukowina. If the Austrian Jews support the efforts of the Zionists, then they should not complain that they are treated by the government like foreigners and are barred from public office. We, however, can say to our fellow countrymen with complete conviction that we comprise a separate community solely with respect to *religion*. Regarding nationality, we feel totally at one with our fellow Germans and therefore strive towards the realization of the spiritual and moral goals of our dear fatherland with an enthusiasm equaling theirs. ...Eighteen hundred years ago, history made its decision regarding Jewish nationhood through the dissolution of the Jewish State and the destruction of the Temple" see "The Jew in the modern world: a documentary history"

By Paul R. Mendes-Flohr, Jehuda Reinharz <http://tinyurl.com/25ryafm> . A similar statement this time from British Jewry sent to the *Times* in London can be found here <http://tinyurl.com/29l67ar>

² An official letter drafted by a Zionist Jew (Leopold Amery) and signed by Foreign Minister and one time Prime Minister (1902-1905) Lord Balfour addressed to Jewish Banker Walter Rothschild. The whole thing reads as follows:

Dear Lord Rothschild,

I have much pleasure in conveying to you, on behalf of His Majesty's Government, the following declaration of sympathy with Jewish Zionist aspirations which has been submitted to, and approved by, the Cabinet:

"His Majesty's Government view with favour the establishment in Palestine of a national home for the Jewish people, and will use their best endeavours to facilitate the achievement of this object, it being clearly understood that nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in

government officially made it a policy to help create a "National Home" for Jews in Palestine. What about the 700,000 or so Arabs who already inhabited Palestine?

In order to assess the wishes of the local population with respect to how the area should be partitioned after the war, what government the people want to belong to, to what degree Zionist aspirations could be carried out and other issues, the United States organized the King-Krane Commission. Some of its findings and recommendations are quoted below (bolded emphasis mine):

"We recommend, in the fifth place, serious modification of the extreme Zionist programme for Palestine of unlimited immigration of Jews, looking finally to making Palestine distinctly a Jewish State..."

The fact came out repeatedly in the Commission's conference with Jewish representatives, that the Zionists looked forward to a practically complete dispossession of the present non-Jewish inhabitants of Palestine, by various forms of purchase.

...it is to be remembered that the non-Jewish population of Palestine—nearly nine tenths of the whole—are emphatically against the entire Zionist program...there was no one thing upon which the population of Palestine were more agreed than upon this. To subject a people so minded to unlimited Jewish immigration, and to steady financial and social pressure to surrender the land, would be a gross violation of the principle just quoted, and of the people's rights...

It is to be noted also that the feeling against the Zionist program is not confined to Palestine, but shared very generally by the people throughout Syria as our conferences clearly showed.

The Peace Conference should not shut its eyes to the fact that the anti-Zionist feeling in Palestine and Syria is intense and not lightly to be flouted. No British officer, consulted by the Commissioners, believed that the Zionist program could be carried out except by force of arms. The officers generally thought that a force of not less than 50,000 soldiers would be required even to initiate the program. That of itself is evidence of a strong sense of the injustice of the Zionist program, on the part of the non-Jewish populations of Palestine and Syria. Decisions, requiring armies to carry out, are sometimes necessary, but they are surely not gratuitously to be taken in the interests of a serious injustice. For the initial claim, often submitted by Zionist representatives, that they have a "right" to Palestine, based on an occupation of 2,000 years ago, can hardly be seriously considered.

...The places which are most sacred to Christians—those having to do with Jesus—and which are also sacred to Moslems, are not only not sacred to Jews, but abhorrent to them. It is simply impossible, under those circumstances, for Moslems and Christians to feel satisfied to have these places in Jewish hands, or under the custody of Jews. There are still other places about which Moslems must have the same feeling. In fact, from this point of view, the Moslems, just because the sacred places of all three religions are sacred to them have made very naturally much more satisfactory custodians of the holy places than the Jews could be. It must be believed that the precise meaning, in

Palestine, or the rights and political status enjoyed by Jews in any other country".

I should be grateful if you would bring this declaration to the knowledge of the Zionist Federation.

this respect, of the complete Jewish occupation of Palestine has not been fully sensed by those who urge the extreme Zionist program. For it would intensify, with a certainty like fate, the anti-Jewish feeling both in Palestine and in all other portions of the world which look to Palestine as "the Holy Land."

In view of all these considerations, and with a deep sense of sympathy for the Jewish cause, the Commissioners feel bound to recommend that only a greatly reduced Zionist program be attempted by the Peace Conference, and even that, only very gradually initiated. This would have to mean that Jewish immigration should be definitely limited, and that the project for making Palestine distinctly a Jewish commonwealth should be given up."

-----End of quote

Until the year 1948, which we'll get to in a second, Jews acquired land by purchase. Local Arabs would sometimes pressure land owners into not selling, but as with any attempt at monopoly, the temptation to cheat in light of increasing amounts of money offered by the Zionists had Arab leaders somewhat shamefully selling land anyway. The Ottoman Empire which had ruled Palestine for centuries had various restrictions/prohibitions against Jews but the weakness and corruption within the Ottoman state made it easier for a small yet steady increase of Jews to occur in the last few decades before WWI. Ottoman Sultan/ruler from 1876–1909 Abdülhamid II said in 1891 "Why should we accept those whom the cultured Europeans turned back and expelled from their own countries?" (Morris, 1999, p. 40)¹⁷

Once the British took over in 1918, the general British imperialist/racist attitude towards the Arabs is well summarized in the following statements by former Prime Minister Lord Balfour:

"I am quite unable to see why Heaven or any other Power should object to our telling the Moslem what he ought to think"

And:

"For in Palestine we do not propose to even go through the form of consulting the wishes of the present inhabitants of the country though the American [King-Crane] Commission is going through the form of asking what they are. The Four Great Powers [Britain, France, Italy and the United States] are committed to Zionism. And Zionism, be it right or wrong, good or bad, is rooted in age-long traditions, in present needs, and future hopes, of far profounder import than the desires and prejudices of the 700,000 Arabs who now inhabit that ancient land."¹⁸

Thus Jewish immigration and work towards the Zionist dream continued against the will of the general local and surrounding population.

Why would Arabs not want so many Jews around and be so adamantly opposed to the Zionist dream? First of all there was the racism and disdain for Arabs that one could expect from lighter skinned and more technologically advanced Europeans(the Jews), and more specifically the Ashkenazic Jews¹.

¹ There are two main groups of Jews, Ashkenazic and Sephardic. Ashkenazic Jews are the Jews of France, Germany, and Eastern Europe and their descendants. Sephardic Jews are the Jews of Spain, Portugal, North Africa and the Middle East and their descendants. Sephardic Jews, having stayed in or near the Middle East since biblical times, have coexisted with Arabs and Muslims, have had their customs influenced by them, are more tolerant of them, and have also remained biologically more

There was also the fact that many of these Jewish immigrants, especially those of the “Second Aliyah”¹ were socialists/atheists whose values and often times behavior could not have been more abhorrent to the locals¹⁹.

Winston Churchill: Zionism’s greatest ally

If the Palestinians had some form of formal government under their control Jewish immigration and the Zionist enterprise would have been prevented just like it was prevented in other countries. Laws would have been passed and enforced restricting immigration to socially acceptable levels and that would have been the end of it. There is a good chance that something along these lines would have happened if it weren’t for Zionism’s perhaps most influential ally, Winston Churchill.

Winston Churchill grew up with many influential Jewish acquaintances which was a result of his father Lord Randolph Churchill’s numerous Jewish friendships. On one occasion when Lord Randolph was asked why he did not bring over some of his Jewish friends to a party he replied ‘...I did not think they would be very amused by the company.’ (Gilbert, 2007, p. 1)

During the First World War, serving as First Lord of the Admiralty, Winston Churchill faced a growing shortage of acetone, which was needed as part of the process used to make cordite, an essential naval explosive. Chaim Weizmann, the leading Zionist figure after Theodor Herzl’s death in 1904, just happened to be a chemist and was able to solve this problem thus greatly increasing his influence with leading British authorities. When Prime Minister David Lloyd George asked Weizmann what he wanted for payment, according to Lloyd George, Weizmann said “the rights to Palestine”²⁰

During the years 1920-1922 Churchill was the Colonial Secretary allowing him to call the shots in the British controlled Middle East. On May 12th, 1921 Palestinian representatives sent the Colonial Office resolutions asking for representative government, the annulling of the Balfour Declaration, and prohibition of Jewish immigration, but on May 31st Churchill told the British Cabinet that “he had decided to suspend the development of representative institutions in Palestine ‘owing to the fact that any elected body

similar to them. Ashkenazic Jews having spread over Europe tend to be Caucasian/whiter looking. These differences lead to significant racial tensions where the Ashkenazic/European/whiter stigmatize the generally darker and more Arab-like Sephardic Jews. As David Shasha, Director of the Center for Sephardic Heritage mentions in a recent article: “Middle Eastern Jews have for many decades lived as stigmatized citizens of Israel; their traditional Arabic culture and form of Jewish religiosity frequently objects of scorn and prejudice.” http://www.huffingtonpost.com/david-shasha/sephardim-ashkenazim-and_b_615692.html . Thus, it makes sense that the Ashkenazic Jews would be even more indifferent to the local Arab population.

¹ “Second Aliyah” refers to a second wave of immigration to Palestine of mostly Russian Jews due to pogroms/expulsions and anti-Semitism in Russia. One of these pogroms was the “Kishinev Pogrom” an account of which was printed in The New York Times on April 28, 1903 “*The anti-Jewish riots in Kishinev, Bessarabia, are worse than the censor will permit to publish. There was a well laid-out plan for the general massacre of Jews on the day following the Russian Easter. The mob was led by priests, and the general cry, “Kill the Jews,” was taken-up all over the city. The Jews were taken wholly unawares and were slaughtered like sheep. The dead number 120 and the injured about 500. The scenes of horror attending this massacre are beyond description. Babies were literally torn to pieces by the frenzied and bloodthirsty mob. The local police made no attempt to check the reign of terror. At sunset the streets were piled with corpses and wounded. Those who could make their escape fled in terror, and the city is now practically deserted of Jews.*”

would undoubtedly prohibit further immigration of Jews'” (Gilbert, 1991, p. 437)

In early May, Arab protests about Jewish immigration had led to some riots in Jaffa where 30 Jews and ten Arabs had been killed (Gilbert, 1991, p. 437). Churchill historian Martin Gilbert writes that:

“In response, the British administration imposed a collective fine on the Arabs of Jaffa, and on the Arab villages from which some of the attackers had come. On 17 November Churchill wrote to his officials: ‘Sir Herbert Samuel should be held stiffly up to the enforcement of the fines on Jaffa.’... Churchill was surprised and shocked when Samuel informed him that the Arabs had been provoked to riot by a hard core of Jewish Communists. It was Samuel’s responsibility, Churchill replied, to ‘purge the Jewish Colonies and newcomers of Communist elements, and without hesitation or delay have all those who are guilty of subversive agitation expelled from the country.’ Whatever part Jewish Communists had played in the Jaffa riots, Churchill told Samuel, he was even more angered by the Arab attempt to use violence throughout Palestine ‘in the hope of frightening us out of our Zionist policy.’” (Gilbert, 2007, p. 73)

Churchill was enamored by the progress Zionists were making in cultivating land and was not impressed with the Arabs whom Churchill criticized:

“Left to themselves, the Arabs of Palestine would not in a thousand years have taken effective steps towards the irrigation and electrification of Palestine. They would have been quite content to dwell –a handful of philosophic people—in the wasted sun-scorched plains, letting the waters of the Jordan continue to flow unbridled and unharnessed into the Dead Sea.” (Gilbert, 2007, p. 81)

In another comment Churchill mentioned that “The injustice is when those who lived in the country leave it to be desert for thousands of years” (Gilbert, 2007, p. 113)

The Saudi Arabian monarch, Ibn Saud, wrote to Churchill reminding him that the Jews had conquered Palestine from the Canaanites, ‘an Arab tribe’, ‘with great cruelty and barbarity’ and that ‘the disjointed rule of the Jews did not exceed 380 confused and sporadic years’ ‘there have been few Jews there and they have had no influence... The Jews were merely aliens who had come to Palestine at intervals and had then been turned out over two thousand years ago’²¹

In British Parliamentary debates held on June 21st, 1922 the Zionist enterprise and Palestine Mandate “was under attack” by politicians opposed to it. Gilbert writes :

“...Lord Islington, introduced a motion in the House of Lords that the Palestine Mandate was ‘inacceptable to this House’ because it was ‘opposed to the sentiments and wishes of the great majority of the people of Palestine’ ... Lord Sydenham, declared that the Palestinian Arabs ‘would never have objected to the establishment of more colonies of well-selected Jews; but, instead of that, we have dumped down 25,000 promiscuous people on the shores of Palestine, many of them quite unsuited for colonizing purposes, and some of them Bolsheviks, who have already shown the most sinister activity. The Arabs would have kept the Holy Land clear from Bolshevism’...When the vote was taken, the views of the anti-Zionist Lords prevailed, with sixty voting against the Balfour Declaration, and only twenty-nine for it...Unless

the vote in the Lords could be 'signally overruled' by the Commons, Britain's pledges to the Jews would not be able to be fulfilled. It fell to Churchill to attempt to reverse the House of Lords vote in the House of Commons, and to ensure that the Zionist enterprise could go ahead under British stewardship." (Gilbert, 2007, pp. 76-77)

Churchill would be successful in persuading the House of Commons to continue to support the Zionist enterprise²².

The world turns its back on the Jews

With the rise of Hitler in Germany in 1934, the British, with Zionist encouragement, were turning Palestine into the dumping ground for some of the unwanted European Jews. And, unfortunately, unwanted they were. We have already touched upon some of the reasons why Jews were disliked¹ to which one should add the fact that Hitler rose to power during a worldwide economic depression which made potential host countries to Jewish immigration even less receptive to it. While sympathizing and condemning the legal restrictions and mistreatment of Jews by the Third Reich, most countries felt like they had enough problems dealing with their own poor and unemployed to allow large numbers of displaced Jews to compete for a seemingly scarce number of jobs and that sort of thing². With respect to Jewish immigration to the U.S., Johnson writes:

"It was in the United States, however, that the Bolshevik takeover, and its association with radical Jews, had the most serious consequences. In France, Jews might be assailed from right and left, but the country continued to be generous in receiving Jewish refugees throughout the 1920s and even during the 1930s. In America, however, the Bolshevik scare effectively ended the policy of unrestricted immigration which had been the salvation of European Jewry...The 1924 Johnson-Reed Act...cut total immigration to 154,000 yearly, and reduce the Polish, Russian, and Rumanian quotas, almost entirely of Jews, to a total of 8,879. It was effectively the end of mass Jewish immigration to the US." (Johnson, 1988, pp. 459-60)

The Germans saw the restrictions on Jewish immigration, as well as increased anti-Semitism wherever Jews went, as vindication that Jews were a problem. An official German document titled "The Jewish Question & German Foreign Policy" released on January 25, 1939 explained this:

"...the influx of Jews arouses the resistance of the native population in all parts of the world and thus provides the best propaganda for Germany's policy

¹ But just to recap... rejection of Christ's divinity, their sort of clannishness/tribalism and inherent friction caused by this, association with radical political ideologies like communism/socialism, association with misunderstood or hated aspects of capitalism like banking/money lending/etc.

² For example, while discussing Jewish immigration to Canada during Hitler's regime Theodore S. Hamerow writes:

"In Canada as in all democratic nations, economic need reinforced ethnic prejudice in generating opposition to the admission of refugees. In Canada, however, that opposition became stronger than in any country outside Eastern Europe. It gained force, moreover, just as the need for asylum was growing more urgent. In early years after the Great Depression, between 1931 and 1933, close to 15,000 Jews entered Canada. But after the establishment of the National Socialist regime in Germany, the doors began to close, and they remained closed or almost closed until the collapse of the Third Reich. Between 1933 and 1945, a mere 5,000 Jews found refuge in Canada. ...in none was the opposition to the admission of victims of Nazi bigotry as strong or effective as in Canada." (Hamerow, p. 156)

towards the Jews. In North America, in South America, in France, in Holland, Scandinavia and Greece – wherever the stream of Jewish migrants has poured in, a clear increase in anti-Semitism has already been recorded. It must be an aim of German foreign policy to strengthen this wave of anti-Semitism... The second question, to which countries the organized emigration of the Jews should be directed, could be solved just as little by the Evian Conference¹; each of the countries taking part expressed its agreement in principle to help solve the refugee problem, but declared that it was unable to accept large masses of Jewish émigrés into its territory. While in the years 1933/34 more than 100,000 Jews from Germany made their way abroad, legally or illegally, and were able to gain a foothold in a new host nation, either with the aid of relatives living abroad, or the pity of humanitarian circles, by now almost all countries in the world have sealed their borders hermetically against the burdensome Jewish intruders...²³

While discussing Jews seeking asylum in the U.S. Hamerow writes:

“There were many social clubs in the United States that did exclude Jews, there were many hotels that did not welcome guests with Jewish-sounding names, and there were many universities, public as well as private, that had strict tough unwritten quotas limiting the number of Jewish students. Indeed, some of the elderly and middle-aged refugees from The Third Reich would occasionally comment—in confidence, of course—that there had been less anti-Semitism in Germany under Kaiser Wilhelm than there was in America under President Roosevelt. Admittedly, in the old Hohenzollern Empire, Jews were frequently denied membership in exclusive clubs, but no hotel would refuse to accept Jewish guests. As for admission to a university, all that was required was a diploma from an accredited secondary school and enough money to pay for tuition, food, and lodging.” (Hamerow, pp. 133-4) ... “Consider the results of a survey conducted by the Opinion Research Corporation in September 1939, which showed that about a third of the more than 3,000 respondents would support or at least sympathize with “a campaign against Jews.” This was roughly the same proportion as that of the German votes who supported the National Socialist Party in the last parliamentary elections under the Weimar Republic. Could it be a sign of things to come?” (Hamerow, p. 237)

In the U.S. there were also people like Father Coughlin, a hugely popular Catholic priest whose weekly radio broadcasts during the 1930s reached about 40 million Americans. He disliked Jews for the usual reasons and was thus sympathetic to Hitler’s anti-Semitic policies. U.S. rabbi and Zionist Stephen S. Wise recalled while writing to a relative in May 1939: “Last night, after Carnegie Hall was refused to the so-called Christian Front, made up of Caughlinites, they marched up and down 57th street, shouting, ‘Hang Rabbi Wise to a flagpole! Lynch Rabbi Wise!—Thousands of them and the police didn’t even interfere.’” (Hamerow, p. 239)

During the period of Hitler’s Third Reich(1933-1945) the United States accepted about 200,000 refugees, the British government 70,000, Argentina 50,000, Brazil 27,000. The proportion of accepted Jewish refugees

¹ This conference was held in July 1938 and attended by representatives of many countries to discuss the issue of increasing numbers of Jewish refugees fleeing Nazi persecution.

compared to the existing populations was miniscule, for example, the U.S. population in 1934 was about 126 million people, an increase of 200,000 people amounted to an increase smaller than 0.2 % of the total population, yet as already discussed, even these small number of Jewish immigrants were mostly unwelcomed and led to increased anti-Semitism. In 1936, as the German government began to harass the Jews and many looked to leave Germany, Chaim Weizmann noted that “the world seemed to be divided into two parts—those places where the Jews could not live and those where they could not enter.”²⁴

In 1918, when Palestine became a British dominion there were about 60,000(8%) Jews and 700,000(92%) Arabs, by 1922 84,000(10%) Jews and 760,000(90%) Arabs, by 1931 Jews were about 17% of the population. Once Hitler rose to power the years 1933-36 brought record numbers of Jews to Palestine, 30,000, 42,000, 62,000, and 30,000 respectively, about 164,000 in total, which quickly led to Jews being almost 28% of the population by 1937. Zionist leader and future Israeli Prime Minister David Ben-Gurion had no problems understanding the Arab point of view:

“There is a fundamental conflict. We and they want the same thing: We both want Palestine. And that is the fundamental conflict”... “Were I an Arab...I would rise up against immigration liable sometime in the future to hand the country and all of its Arab inhabitants over to Jewish rule. What Arab cannot do his math and understand that immigration at the rate of 60,000 a year means a Jewish state in all of Palestine?” (Teveth, pp. 166-8)

This large influx of Jewish immigrants led to the 1936-39 Arab revolt, which consisted of various boycotts and strikes, armed resistance against the occupying British authorities, acts of sabotage like repeated bombings of oil pipelines, and sporadic attacks against Jewish settlements. The revolt was brutally suppressed by the British which often used collective punishment like reducing entire villages to rubble, holding thousands of people without trial in poorly sanitized and deplorable detention centers, and just generally applying the sort of harsh military justice that leads to frequent miscarriages of justice and only serves to both demoralize and aggravate an entire population based on the actions of a few. The revolt proved to be counterproductive for the Arabs who lost many more lives and much of their leadership and had little effect in curbing Jewish immigration which continued to increase. (Morris, 1999, pp. 159-60)

The revolt did cause the British to finally begin to restrict Jewish immigration and take Arab grievances more seriously leading to a reformulation of British policy in what came to be known as the 1939 ‘White Paper’ which took effect on May 19, 1939. The British were no longer in favor of a Jewish State or distinctively Jewish national home as had been implied by the Balfour declaration, but were now in favor of a single Palestinian state where Jews and Arabs would get along as equals. Immigration would also be restricted during the next 5 years to a combined total of 75,000 and land sales to Jews would be restricted/regulated by British authorities.

On May 23rd, 1939 Churchill gave a speech in the House of Commons attacking this change in policy. He said:

“To whom was the pledge of the Balfour Declaration made? It was not made

to the Jews of Palestine, it was not made to those who were actually living in Palestine. It was made to world Jewry and in particular to the Zionist associations. It was in consequence of and on the basis of this pledge that we received important help in the war[WWI]...On page 11 of the White Paper, in sub-section(3) of paragraph 14 there is this provision:

After the period of five years no further Jewish immigration will be permitted unless the Arabs of Palestine are prepared to acquiesce in it.

Now, there is the breach; there is the violation of the pledge; there is the abandonment of the Balfour Declaration; there is the end of the vision, of the hope, of the dream.”

About a month earlier on April 1st, 1939 that crazy and irrational Hitler gave a speech where he mentioned “What right, for example, has England to shoot down Arabs in Palestine just because they defend their homeland; who gives them this right?”²⁵

England’s change of heart, regardless of Churchill’s efforts was unwelcomed by the Jews especially once WWII broke out in September of that year and knowledge of Jewish extermination began to surface. Jewish paramilitary/terrorist groups like the Irgun and Stern Gang, which would usually terrorize Arabs¹, began to wage a bloody terrorist campaign against the British once the war ended. Perhaps the most famous of such terrorist acts against the British was the bombing of the King David Hotel by the Irgun on July 22nd 1946 where 91 people were killed and another 41 injured²⁶. By 1947, after dealing with Jewish animosity as well as the expenses associated with supporting nearly 100,000 troops in Palestine, the British felt like they had had enough and decided to turn over the whole mess to the United Nations.

The United Nations created the UNSCOP(UN Special Committee on Palestine) and came up with the “U.N. partition plan of 1947” (aka Resolution 181) which gave 55% of the land to 37% of the people(Jews) for a future Jewish state and 44% of the land for the majority and native Arab population for their future state, with the city of Jerusalem administered by the U.N.² Going against the advice of the State Department and the Pentagon, US President Harry Truman was persuaded by the tremendous pro-Zionist

¹ A list of Irgun terrorist attacks can be found here http://en.wikipedia.org/wiki/List_of_Irgun_attacks . A particularly bloody month was July 1938 where 91 people were killed, mostly via bombs laid in crowded marketplaces. Morris credits the Jewish terrorist organizations with “what is now the standard equipment of modern terrorism, the camouflaged bomb in the market-place and bus station, the car- and truck-bomb, and the drive-by shooting with automatic weapons(though not the suicide bomber, which was an Arab innovation of the 1980s and 1990s).” (Morris, 1999, p. 681)

It should be noted that at least in principle, such terrorist attacks were in retaliation for prior Arab attacks. Which can also be said about many Arab attacks as a never-ending cycle of violence expands.

² The Stern Gang wanted all of Palestine for the Zionists and was thus opposed to the partition. Count Folke Bernadotte, whose humanitarian efforts had saved about 31,000 people including between 6,000 to 11,000 Jews from Nazi concentration camps, was a UN mediator who pushed for this sort of partition. On September 17, 1948 the Stern Gang successfully executed an assassination attempt on Bernadotte which was planned and approved by Stern Gang leader Yitzhak Shamir who would later become Israel’s 7th prime minister. See http://en.wikipedia.org/wiki/Yitzhak_Shamir

environment and went along with the partition plan²⁷. The plan was approved on November 29th, 1947. Needless to say, the Arabs did not find this a fair deal. If only the Arabs had studied economics at an American university, then they would have assumed that anything proposed by white men who have graduated from Ivy League schools must be true or just, but unfortunately they didn't so their common sense remained intact.

1948 and the Birth of the Refugee Problem

What followed in 1948 was a sort of Arab rebellion or civil war, then the formal establishment of the nation of Israel¹ on May 14, 1948, followed by a more conventional full-scale war between the new state of Israel and its neighbors. Much of the initial fighting took place in the outskirts of mixed cities and was started by Arabs, but terrorism against civilians by various Jewish groups like the Irgun and Stern Gang helped turn small riots into a full-scale war.²⁸

As the British withdrew, Jewish forces went on the offensive terrorizing and encouraging the depopulation of Arab villages and towns. Brigades were instructed: "In the conquest of villages in your area, you will determine –whether to cleanse or destroy them." (Morris, 2004, p. 165) The common strategy was to use mortars to rain in bombs from above which would cause panic and exodus

¹ Since this book is largely about economics I'll also mention that the dominant political ideology of leading Israeli politicians at the time, like David Ben Gurion, was, as one could easily have guessed, Socialism. As Rabbi Barry H. D. Block mentioned in a sermon delivered on April 24, 2009:

"In the days before the 1948, rival groups of Zionists battled for ascendancy among the Jewish residents of Palestine. The socialists were dominant, by far. They were Eastern Europeans, influenced by the revolutions that had swept Russia and other countries, but disillusioned by the anti-Semitism that followed. They believed in the Marxist dream: workers of the world should unite; workers should own the means of production. . . They went to Palestine, where they built a Jewish socialist state." –<http://www.beth-elsa.org/bb042409.htm>

To this day there are many kibbutzim(plural for kibbutz) in Israel. A kibbutz was intended to be a self-sufficient community, a sort of mini socialist/communist community where the socialist ideal could be implemented.

Prior to the formation of the Israeli state in 1948, most Zionist investment was done by private enterprise, but once the Israeli state came into existence, so did central planning/socialism. Dr. Alvin Rabushka explains:

"Between 1918 and 1929, 73 percent of all investment was private. During 1930-1937, 84 percent was private. . .In what must rank as one of the great ironies in economic history, German reparations financed the transformation of Israel from a private-investment, private-enterprise, free-market economy to a socialist system that fulfilled the vision of Jewish leftists. On September 10, 1952, the government of Israel signed a reparations agreement with the Federal Republic of Germany. The German government gave \$850 million, a huge sum at the time, to the government of Israel as collective compensation for the millions of Jews who died at the hands of the Nazi regime and had their property stolen." Ben Gurion's Labor government "established a special state-owned enterprise to administer the funds. Ben-Gurion appointed the chief executive officer of a large Histadrut* enterprise as its manager. This former Histadrut manager allocated a large share of the funds to various Histadrut enterprises and financed the establishment and growth of state-owned enterprises. Private industry was given no access to these funds. Civil servants supported increasing state control as it enhanced their power. Then, as well as now, retiring civil servants were given high positions in state-owned firms. Boards of directors and managers of State and Histadrut firms were selected by political parties, creating an incestuous relationship between government and the business sector." <http://www.israeleconomy.org/quarterly/winter01/rabushka.htm>

* Trade union

and then move in to finish the job. For example, one particular offensive in the coastal city of Haifa is partly described by Morris as follows:

“In preparation for the assault, around midnight 21/22 April, the Hagana had let loose with a 15-minute, 50-round barrage of heavy mortars on the lower city, triggering ‘great panic...and the mass exodus began’. Further barrages were released periodically during the night and in the morning of 22 April. By early afternoon, the attacks had broken the back of Arab resistance. Hours earlier, at 09:00, 22 April, Hagana units had reached Hamra Square and found it deserted: ‘All was desolate, the shops closed, no traffic...only several sick old Arab men and women moved about, confused.’” (Morris, 2004, p. 190)

Later in the day a British intelligence officer describes the scene at the Haifa harbor’s entrance:

“During the morning [the Jews], were continually shooting down on all Arabs who moved both in Wadi Nisnas¹ and the Old City. This included completely indiscriminate and revolting machine gun fire, mortar fire and sniping on women and children sheltering in churches and attempting to get out...there was considerable congestion outside the East Gate of hysterical and terrified Arab women and children and old people on whom the Jews opened up mercilessly with fire.” (Morris, 2004, p. 191)

Perhaps the most famous attack was the so-called “Deir Yassin massacre” which took place on April 9, 1948. Albert Einstein, along with 27 prominent Jews in New York, published a letter in the Dec 4th 1948 issue of the New York Times condemning the attack and Menachim Begin’s group, the Irgun, who was behind it:

“terrorist bands attacked this peaceful village, which was not a military objective in the fighting, killed most of its inhabitants - 240 men, women, and children² - and kept a few of them alive to parade as captives through the streets of Jerusalem. Most of the Jewish community was horrified at the deed, and the Jewish Agency sent a telegram of apology to King Abdullah of Trans-Jordan. But the terrorists, far from being ashamed of their act, were proud of this massacre, publicized it widely, and invited all the foreign correspondents present in the country to view the heaped corpses and the general havoc at Deir Yassin.”

How many of the deaths were due to indiscriminate killing might be lost in the past³ but news of the attack on Deir Yassin and alleged atrocities spread quickly helping spur panic and accelerating the mass exodus of Palestinians.

¹ A neighborhood in Haifa

² Original reports overstated casualties which have been revised to slightly over 100 people.

³See http://en.wikipedia.org/wiki/Deir_Yassin_massacre for more. From Irgun’s leader Menachem Begin’s perspective :

“To counteract the loss of Dir Yassin, a village of strategic importance, Arab headquarters at Ramallah broadcast a crude atrocity story, alleging a massacre by Irgun troops of women and children in the village. Certain Jewish officials, fearing the Irgun’s men as political rivals, seized upon this Arab *gruel* propaganda to smear the Irgun. An eminent Rabbi was induced to reprimand the Irgun before he had had time to sift the truth. Out of evil, however, good came. This Arab propaganda spread a legend of terror amongst Arabs and Arab troops, who were seized with panic at the mention of Irgun soldiers. The legend was worth half a dozen battalions to the forces of Israel. The “Dir Yassin Massacre” lie is still propagated by Jew-haters all over the world.” (Begin, pp. 226-7)

Although the thought of forcibly transferring Arabs to make way for a Jewish homeland had been in the mind of top Zionist leaders for a long time¹ the obvious political difficulties in carrying out such a transfer prevented its implementation, but as the war escalated and military necessity became a new reason for expulsion, leaders finally gave in as they saw the quick progress such expulsions made towards their Zionist plans.

As usual, young men with guns in a tribal scenario like war provides brings out those truly efficient and intuitive evolutionary strategies like indiscriminate killings and of course, perhaps the greatest of all tribal evolutionary strategies, rape. When asked how many cases of Israeli rape there were in 1948 Morris replies:

“About a dozen. In Acre, four soldiers raped a girl and murdered her and her father. In Jaffa, soldiers of the Kiryati Brigade raped one girl and tried to rape several more. At Hunin, which is in the Galilee, two girls were raped and then murdered. There were one or two cases of rape at Tantura, south of Haifa. There was one case of rape at Qula, in the center of the country. At the village of Abu Shusha, near Kibbutz Gezer [in the Ramle area] there were four female prisoners, one of whom was raped a number of times. And there were other cases. Usually more than one soldier was involved. Usually there were one or two Palestinian girls. In a large proportion of the cases the event ended with murder. Because neither the victims nor the rapists liked to report these events, we have to assume that the dozen cases of rape that were reported, which I found, are not the whole story. They are just the tip of the iceberg.”²⁹

Sometimes as Jewish troops attacked towns causing Arabs to flee, the troops, as well as eager civilians, would go on a looting spree. Describing the Jewish attack on the city of Tiberias, Morris writes:

“In one incident, a Haganah man shot a Sephardi looter (who later died). The largely Sephardi townspeople remarked ‘that the Ashkenazis shoot only Sephardis . . .’. Looting was resumed on 22 April, when the Haganah and the police completely lost control. Nahmani jotted down in his diary:

“Groups of dozens of Jews walked about pillaging from the Arab houses and shops . . . The Haganah people hadn’t the strength to control the mob after they themselves had given a bad example . . . [It was as if] there was a

¹ For example, among many statements supporting transfer by leading Zionists, Ben Gurion mentioned in 1938 “With compulsory transfer we [would] have a vast area [for settlement]...I support compulsory transfer. I don’t see anything immoral in it.” (Morris, 1999, p. 144)

On the 6th of February 1948, during a Mapai Party Council, someone mentioned that “we have no land there” while referring to some lands west of Jerusalem, to which Ben Gurion replied “The war will give us the land. The concepts of “ours” and “not ours” are only concepts for peacetime, and during war they lose their meaning” –Ben-Gurion’s War Diary, Vol. 1, entry dated 6 February 1948. p.211

Another revealing quote, this time by Yosef Weitz who was the director of the Land and Afforestation Department of the Jewish National Fund and was an avid supporter of forced transfer:

“Our army is steadily conquering Arab villages and their inhabitants are afraid and fleeing like mice. You have no idea what happened in the Arab villages. It is enough that during the night several shells whistle overhead and they flee for their lives. Villages are steadily emptying, and if we continue on this course—and we shall certainly do so as our strength increases—then tens of villages will empty their inhabitants. This time these self-confident ones, too, will feel what it is like to be refugees. Maybe they will understand us.” (Morris, 2004, p. 243)

contest between the different Haganah platoons stationed in Migdal, Genossar, Yavniel, 'Ein Gev, who came in cars and boats and loaded all sorts of goods [such as] refrigerators, beds, etc. . . . Quite naturally the Jewish masses in Tiberias wanted to do likewise . . . Old men and women, regardless of age . . . religious [and non-religious], all are busy with robbery . . . Shame covers my face . . .³⁰” (Morris, 2004, p. 185)

On May 15, 1948, poorly equipped and coordinated armies from the surrounding Arab states of Jordan, Egypt, and Iraq entered Palestine but were no match for the larger number of Jewish troops, weaponry and motivation so that by October 1948 it was clear that Jews would have an overwhelming victory.³¹

Israeli army units were instructed to stop Arabs from returning to their villages with live fire, abandoned villages were razed or mined, Jewish civilians would loot and rush to establish new settlements and cultivate the abandoned fields.

By the time things settled in 1949 over 400 Palestinian villages and towns were destroyed or depopulated. About 700,000 Palestinians were displaced from their homes and relocated to the West Bank, the Gaza Strip¹ or the surrounding Arab states where they, and their descendants who now number over 4 million, have been living largely supported by international organizations.

At this point some can reason that this is all too bad for the Palestinians but the Jews had no choice but to take such measures. According to Morris, the offensive which eventually was used to overrun and expel the Arabs was begun due to the fact that Arabs were cutting vital supply lines to Jerusalem and that if the Jews did not go into the offensive eventually they would not be able to hold out forever and perhaps be thrown into the sea. One could make this case. But even if this were true, that the Zionists went on the offensive and ended up depopulating a huge piece of land due to security reasons, Zionist leaders had been looking for the opportunity to transfer Arabs from lands they hoped to have for a future state for a long time and this war was used to achieve this.³²

1967. Military Occupation and Expansion

In a surprise attack known as the Six Day war (June 5-10, 1967), Israel routed the armies of Egypt, Jordan and Syria capturing East Jerusalem and the entire West Bank from Jordan as it expanded east, the Gaza Strip and the Sinai Peninsula as it expanded south against Egypt, and the Golan Heights as it expanded north against Syria. Supposedly occupying the West Bank would prevent Jordan from placing its armies close to Israel and perhaps in a surprise attack sort of split it in two. But there were other more ideological reasons, like the usual desire to continue the Zionist expansion into ancestral Jewish lands. Ben-Gurion regretted not taking the entire West Bank during the war of 1948³³ and in an article published shortly before the war, Labor Minister

¹ The Gaza Strip is just 25 miles long and 4-7.5 miles wide yet contains about 1.5 million people making it one of the most densely populated areas in the world.

Yigal Allon, mentioned that:

“In case of a new war, we must avoid the historic mistake of the War of Independence...and must not cease fighting until we achieve total victory, the territorial fulfillment of the Land of Israel.” (Brecher & Geist, p. 100)

For some 300,000 Arabs, it was like 1948 all over as they fled the West Bank into Jordan³⁴.

Former Chief of Staff of the Israeli Defense Forces(IDF) Moshe Dayan told Palestinian poet Fadwa Touqan that “The situation between us is like the complex relationship between a Bedouin man and the young girl he has taken against her wishes,” ... “But when their children are born, they will see the man as their father and the woman as their mother. The initial act will mean nothing to them. You, the Palestinians, as a nation, do not want us today, but we will change your attitude by imposing our presence upon you.”³⁵

Immediately after the occupation some of the more rabid or extremist religious Jews began to flock to the occupied territory to build settlements and colonize it. The quick victory seemed like a blessing from God to many³⁶.

Although settlement of the militarily occupied Palestinian territories began in 1967, it was a slow enterprise at first. The documentary “The Iron Wall” mentions that:

“All changed in 1974 with the formation of Gush Emunim(the block of the faithful). The ideological settlement movement was born in the settlement of Kfar Etzion by some fundamentalist rabbis who claimed to be called by God to extend the borders of Israel from the Jordan to the sea....Gush Emunim struggled to find its place within the primarily secular Israeli society and ruling labor party. But in 1977 with the election of Prime Minister Menachem Begin¹ and his appointment of Ariel Sharon as minister of agriculture they found their champions. The partnership between the hard-line Begin and his settlement bulldozer Sharon changed the face of the occupied territory. By the time Mr. Begin left office in 1983 more than 100 settlements scattered thought the occupied territory were now home to the most fundamentalist settlers.”³⁷

One tends to forget, watching polished prominent Israeli politicians, that Israel is a national home for a religious and sort of ethnic tribe, a tribe that can be far more exclusive and sort of tribal/nationalistic than Christianity and Islam. Again, Christianity and Islam have evolved to be accepting of all nationalities and ethnicities while Judaism remains more true to its tribal/ethnocentric roots. At the core of this religion you have many people who inevitably see the world as us vs. them/gentiles, see themselves as the “chosen ones”, or as just quoted “God’s people”. These people can be as extreme and terrorist-like as the stereotypical Islamic ones we are all too familiar with. The founder of Gush Emunim, Rabbi Zvi Yehuda Kook stated “I tell you that the Torah forbids us to surrender even one inch of our liberated land” “There are no conquests here. And we are not occupying foreign lands.

¹ Menachem Begin’s political party, “Likud”, which he founded in 1973 and is current Israeli Prime Minister Benjamin Netanyahu’s party, clearly states in its charter that Jews have an “unassailable right...to the Land of Israel”, which includes the West Bank, all of Jerusalem and the Gaza strip. See platform here http://www.knesset.gov.il/elections/knesset15/elikud_m.htm

We are returning to our home, to the inheritance of our ancestors. There is no Arab land here, only the inheritance of our God.”

Meir Kahana, founder of the Kach political party which was eventually banned due to its racist/extremist policies said that “In two years time, [the Arabs]... will come to me, bow to me, lick my feet, and I will be merciful and allow them to leave. Whoever does not will be slaughtered.” (Unger, p. 134)³⁸ In 1994 Baruch Goldstein, a Jewish doctor who would refuse to treat fellow Israeli Defense Force members because they were Arabs, and was also a fan of Kahana and member of the Kach party, walked into the Ibrahim Mosque and began machine-gunning worshipers eventually killing 29 and injuring another 125 before he was finally killed. In good ethnocentric/tribal fashion, at his funeral, Rabbi Yaacov Perin declared that “One million Arabs are not worth a Jewish fingernail.”

During 1995, Israeli Prime Minister Yitzhak Rabin was involved in the continuation of peace negotiations, known as the Oslo Accords, in which Israel would cede some land and allow self-rule to the Palestinians in exchange for peace. This peace initiative made Rabin the target of hatred by many who felt like giving back settled/conquered territory in the West Bank and Gaza Strip went against Jew’s biblical rights to the land. Craig Unger writes that:

“the most violent threats toward Rabin came not from Israel, but from Orthodox Jews in the United States. In June, Rabbi Abraham Hecht, a leading figure in New York’s rabbinical establishment, the head of the 540-member Rabbinical Alliance of America, asserted that Jewish law permitted the assassination of Prime Minister Rabin because of his willingness to cede land to the Palestinians.” (Unger, p. 138)

On October, speaking before the Knesset, Benjamin Netanyahu railed against Rabin and stated that the Bible was the Jews land registry.³⁹

Such statements were welcomed by the right-wing religious crowds who gathered later that night in Jerusalem’s Zion Square and carried Benjamin Kahane, son of Meir Kahane, shouting “Death to Rabin! Nazis!”⁴⁰ Later that year on November 4th, Yigal Amir assassinated Rabin as he was entering his car after a pro-peace rally. “There were lots of rabbis who said *din rodef*¹ applied to Rabin,”⁴¹ Amir said. Leah Rabin, Yitzhak’s widow, would personally blame Netanyahu for creating the atmosphere that led to her husband’s assassination.⁴²

More recently, West Bank Rabbi Yitzhak Shapira has been in trouble with the Israeli authorities since 2009 for publishing a book that justifies killing the children of non-Jews :

“There is a reason to kill babies ... because of the future danger they may present, since it is assumed that they will grow up to be evil like their parents....”⁴³

On Oct 16th, 2010 Rabbi Ovadia Yosef, founder and spiritual leader of the largest religious political party (*Shas*) which won 11 of 120 Knesset seats in the 2009 elections, and is also a former Sephardi Chief Rabbi of Israel, which can be seen as the sort of Pope of the Sephardim, said in a sermon that:

¹ A Jewish law that justifies murder in certain cases.

“Goyim[non-Jews] were born only to serve us. Without that, they have no place in the world – only to serve the People of Israel,” “Why are gentiles needed? They will work, they will plow, they will reap. We will sit like an effendi and eat. That is why gentiles were created,”⁴⁴

So... Not only were the majority of Palestinians expelled from their homelands in 1948, they now had to put up with the colonization of whatever land they had left and be subjects to a military occupation that left them powerless to do anything about it. Dissent or resistance towards such a situation which would come naturally to human beings would be brutally crushed⁴⁵.

The Present

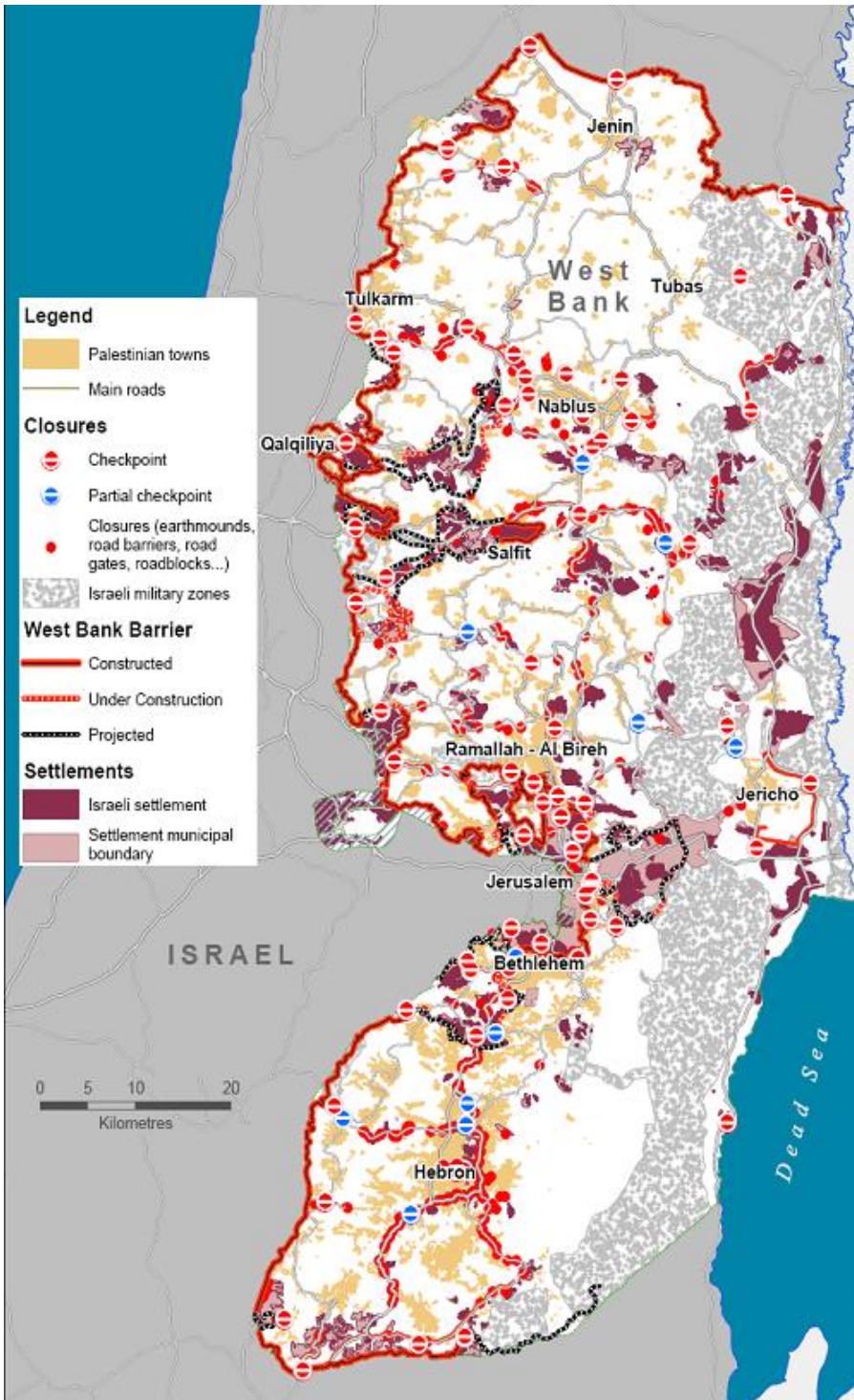
There are now over half a million Israelis living in militarily occupied territory that was gained during the 1967 war. The International Court of Justice deems these settlements to be illegal because it is against international law to acquire territory through war. Over 300,000 settlers live in the West Bank spread out in over 120 settlements officially¹ recognized by the Israeli government. In order to provide adequate security and resources for these settlements **over 42%** of the land in the West Bank is now either off-limits or severely restricted to Palestinians. A network of Israeli-only or heavily restricted roads helps unite the settlements and help compartmentalize the West Bank into areas which Palestinians can only cross at various checkpoints and only if they have the right permission (and carry their papers/id of course). The image below shows the many patches of settlements and checkpoints which now strangle the Palestinians' freedom of movement, economy, and more. These settlements make a potential two state solution to the conflict and an eventual lasting peace much harder to realize. But this expansion is just a reflection of Zionist ideology shared by many Jews and their politicians. In 1998, future Prime Minister Ariel Sharon said

“Everybody has to move; run and grab as many hilltops as they can to enlarge the settlements, because everything we take now will stay ours. Everything we don't grab will go to them”

also

“It is the duty of Israeli leaders to explain to public opinion, clearly and courageously, a certain number of facts that are forgotten with time. The first of these is that there is no Zionism, colonization, or Jewish State without the eviction of the Arabs and the expropriation of their lands.”

¹ There are also over 100 unofficial smaller settlements or outposts which are unauthorized or illegal even under Israeli law.



The Israeli government is also building a huge wall/barrier used to enclose those settlements that are closest to its border and by doing so it traps and makes off-limits to Palestinians even more land. Even if they are allowed to cross the wall it creates tremendous economic hardship for many. For example, say you have a small piece of land where you grow food, prior to the erection of the wall you could get to your land via a 5 or 10 minute walk, but now you might have to walk a few kilometers along the wall to reach a gate.

Palestinians can be easily detained because they are under military law which offers them less protection than the civil law applied to Jewish settlers. For example, the age at which a Palestinian is no longer a child is 12 while for Jewish settlers it is 18. A Palestinian child can be detained without seeing a lawyer for 90 days. The average number of Israeli army raids on West Bank villages **per week** in 2009 was 96, with an average of about 60 people taken prisoner as a result. Since the beginning of the occupation in 1967 more than a whopping 650,000 Palestinians have been prisoners held by Israel. Most of these detainees are the fathers, brothers, uncles, breadwinners of families who desperately need them, thus helping infuriate an entire population.

Susan Nathan, a British Jew who moved to Israel and decided to live in an Arab town within Israel-proper to see what things were like for the 1.3 million Israeli Arabs describes subtle aspects of the Jewish-dominated Israeli education system in her book "The Other Side of Israel". An Arab teacher colleague of hers tells her:

"Today we are sort of semi-citizens, not even included in the description of our country as a Jewish state. And how does the Ministry of Education want us to respond? It issues directives telling us to raise the Star of David flag above our schools, when the children know the Palestinian flag is banned, to sing the national anthem, even though its verses speak of the Jewish people returning to their homeland, and to teach a curriculum which highlights the great victories of Zionism in founding a Jewish state and extols the virtues of Jewish culture." (Nathan, p. 96)

Susan describes one of her own experiences:

"Talking to my teenage students in Tamra, I got a sense of how the school system was eroding their self-image, their relationship with the state and their future prospects. One day Suad showed me an English textbook that is used in Jewish and Arab schools. It was full of picture stories about Jewish kids with names like Gideon, Avner, Daphna, and Anat wanting to be astronauts, actors, and fireman. The book contained a single story of Arab life: two boys named Mahmoud and Youssef asking their uncle, Sheikh Salem, about how to become a good camel driver. It was bad enough that images of Arabs were almost entirely absent from the curriculum, but that offence was then compounded by their brief appearance as an outdated and racist stereotype. Apart from a few tens of thousands of Bedouins in the country's southern Negev Desert, Israel's Arab children have no more contact with camels than Jewish children do." (Nathan, pp. 96-97)

As this book goes to press Israel continues to expand its settlements even though Palestinian representatives and even U.S. pressure constantly let Israel know that settlement expansion must stop if any serious attempt at a lasting peace is to be reached. But such complaints are completely ignored, especially now that right-wing Benjamin Netanyahu is Israel's prime minister. He recently said *"For 17 years they negotiated with the Israeli government during settlement construction, including the last year of the former government... Everyone knows*

*that restrained and moderate construction in Judea and Samaria in the next year will not even affect the peace process. Therefore the international community needs to call on the Palestinians to continue engaging in peace talks. It is in the interest of the Palestinians just as it is in ours*¹⁴ He is right, what other choice do Palestinians have?

What I've mentioned about the occupation does not even begin to scratch its surface but for brevity's sake we move on to other aspects of this conflict. The previously quoted film "The Iron Wall"¹, as well as the PBS program "FRONTLINE: Israel's Next War"², provide a quick way to learn about these events whose understanding are crucial for making sense out of the Israeli/Palestinian conflict and much that grows from it.

Anti-Semitism

One last thing I'd like to bring up relates to the self-identity of many Jews. A Jew is a human being like any other, but also one whose mind is taught to associate the body it controls with "being a Jew" and traits that Jews, like any other people, like to associate themselves with. This is all pretty normal and sort of obvious but one thing that makes some Jews unique is their fixation with the concept of "anti-Semitism" which means a dislike or prejudice against Jews. The documentary "Defamation" (2008), directed by Yoav Shamir, does a great job of looking into this "anti-Semitism" concept and its impact on Israelis/Jews and some of its geopolitical ramifications. For example, the film shows how each year about 30,000 Israeli high school students are taken to places like the Auschwitz concentration camp and other sites related to the Holocaust in order to teach them about anti-Semitism, and how for some seemingly obscure reason Jews are victims to such horrible attacks. This sort of field trip helps solidify their identity as Jews, in other words, strengthen their ethnocentrism, as well as alienate them or make them suspicious of non-Jews who might be or are susceptible to being "anti-Semitic"(or so the theory some Israeli/Zionists tend to believe goes). Perlin, a female student in the documentary, mentions how "This will strengthen the Israeli in me, the Zionist, the Jew in me. I have no doubt about it." Another student, Adi, mentions that:

"We are raised in this spirit, that we know that we are hated, and if a kid knows from the start that he is hated, about what happened to his ancestors in the Holocaust, it evokes anger toward the other side: pain, anger, even hate."

The school counselor that prepares the students for the trip tells them that:

"Secret service people will go with you so that you will not be in contact with the local people. You will meet people who do not like us. You will see that they do not like us... Try to understand the connection between then and now. Anti-Semitism has not ended. Israel was founded as a result of the Holocaust, but anti-Semitism still exists. If you read the newspapers, there are anti-Semitic incidents in Europe and in other countries. Even today they do not like us."

Immediately following this statement, a male student, Yair, mentions that "That's what makes us special: that no one can stand us, but that we are proud

¹ <http://video.google.com/videoplay?docid=8598031591119784930#>

² <http://www.pbs.org/wgbh/pages/frontline/shows/israel/view/>

of it.”

In order to see where all the anti-Semitism related news which Shamir felt he was frequently reading about in the Israeli press, Shamir interviews prominent Israeli journalist and Holocaust survivor Noah Klieger at Noah's job, the offices of *Yediot Achronot*, Israel's most popular newspaper. With respect to anti-Semites Noah says:

“I know it sounds ridiculous, but everybody is problematic. France is anti-Semitic, Germany is anti-Semitic, the South American countries are anti-Semitic, not to mention the Muslim countries. Actually all of them are. Lithuania stayed anti-Semitic, all the Baltic states too, but also the Western countries. England is anti-Semitic. London has a self-proclaimed anti-Semitic mayor. They are all anti-Semitic. Some are noisier than others.”⁴⁸

It is not hard to sympathize with Mr. Klieger and many Jews and how they see so called anti-Semitism everywhere given what he and other Jews had to go through, especially during the Holocaust when much of the world turned its back on the Jews. But again, this sort of statement, coupled with that of the students really gives a glimpse into the sort of ethnocentrism that Israelis/Jews brainwash themselves with which only helps spread their dislike as well as help make them more impervious to foreign criticism. In another interview of Klieger, this time made by “The Norwegian Organization With Israel for Peace” he says

“...we have a country they[Arabs] cannot even dream of having. Go to the Arab countries, the rich Arab countries, not the poor Arab countries... go to Saudi Arabia, look around you, and then come back and tell me if this is something to compare to Israel...I've been in Qatar last year, a very rich country. Go look at Qatar, and please tell me, apart from the fantastic buildings they have, what exactly do they have? Or Abu Dhabi, or Dubai...or Kuwait, nothing to compare to Israel. We have Nobel Prize winners. How many Arabs have been Nobel prize winners?” ... “...not everybody in the world likes Jews, let's face this also. Why? Nobody can explain that to me, I've never understood and still don't understand”⁴⁹

I have never been to Israel or any of the places Klieger mentions and have little doubt that Israel has accomplished more in terms of science and technology in recent times than the combined Arab world, but this does not legitimize its recent history in Palestine and one can easily add this sort of chest-thumping to the list of reasons Arabs might dislike Jews.

It makes sense that Jews, having been the victims of persecution throughout their history, would have some concept or abstraction like “anti-Semitism” to help explain what happens to them. In some ways the concept of anti-Semitism is just like the concept of “evil”. They are concepts that help us identify, label, or explain things we consider to be bad or that we fear, yet they do not really exist in the sense that they are simply the outcome of human nature given various incentives and so on. We have already discussed some of the reasons why Jews were disliked, to which one can add the events leading to the birth of Israel, the expulsion of Palestinians, current military occupation and so on. Is it really that hard to understand why some people, especially Muslims, might hate the Israeli government and the many Jews who willingly support its policies?

Whether it'd be by physically rounding up Jews to be exterminated or lobbying their local government to prevent immigration of persecuted Jews, out of human nature and economic ignorance arose a great evil via the Holocaust which allowed millions of people to part-take in it to various degrees. Similarly, from the collective guilt shared by millions the concept of "anti-Semitism" has become an ideological boogeyman⁵⁰ which can be launched at those who disagree with the policies of the Israeli government. As Norman Finkelstein explains:

"Whenever Israel comes under renewed international pressure to withdraw from occupied territories, its apologists mount yet another meticulously orchestrated media extravaganza alleging that the world is awash with anti-Semitism. This shameless exploitation of anti-Semitism delegitimizes criticism of Israel, makes Jews rather than Palestinians the victims, and puts the onus on the Arab world to rid itself of anti-Semitism rather than on Israel to rid itself of the Occupied Territories." (Finkelstein, p. 16)

One of Israel's most popular scholarly defenders, Dr. Alan Dershowitz has written a book whose very title says a lot: "The Case Against Israel's Enemies: Exposing Jimmy Carter and Others Who Stand in the Way of Peace". Even a well-intentioned nice old man like former US President Jimmy Carter finds himself on the wrong side of good vs. evil for having learned enough about the real history and circumstances which shape the Israeli/Palestinian conflict and thus being critical of the Israeli government. In an interview with Shalom TV, Dershowitz said the following about Jimmy Carter:

"Jimmy Carter has literally become such an anti-Israel bigot that there is a kind of special place in hell reserved for somebody like that. He has no sympathy or understanding for the suffering of the Jewish people, the plight of the Jewish people, he loves every Muslim extremist he can find."⁵¹

When it comes to Israel, getting pigeonholed into good or evil is very easy. As the title of Dershowitz's book implies, Carter is not just a man who might disagree with the Israeli government and its policies, he is an enemy of Israel, something truly sinister.

The origins of the Second World War

To most people the Second World War was just the outcome of an evil madman who wanted to conquer the world, but this is far from the truth. Let us quickly look at some of the events that led to this horrendous conflict and its aftermath.

Until the outbreak of the war Hitler's foreign policy was geared towards repelling Communism and undoing the wrongs of the Treaty of Versailles. This meant reuniting ethnic Germans who had been brought into foreign rule due to the partitioning of Germany and the Austro-Hungarian Empire at the end of WWI. For example, at the end of WWI Austrian representatives wanted to establish a free-trade zone between Austria and the starving Germany, but the winning powers prohibited it. The Treaty of Versailles and the Treaty of Saint-Germain, which were forced upon the losers of the war, specifically prohibited the union of Austria with Germany even though most people in Austria probably welcomed such a union. On March 12th, 1938 German troops marched into Austria unopposed and greeted by

cheering crowds and Nazi salutes. Wise politicians in England, France, and Italy knew that Hitler's attempts at unifying those Germans who were scattered under foreign governments (and sometimes mistreated) was a legitimate claim and on September 30th 1938, via the Munich Agreement, they agreed to let Germany annex the Sudetenland, an area which contained mostly ethnic Germans which at the end of WWI had been given to the newly created country of Czechoslovakia, making these Germans a minority in that country.

The most important events that led to the war had to do with Hitler's desire to better integrate with Germany the city of Danzig, which was now isolated within Poland due to the 'Polish Corridor', as well as the larger swath of German land a bit farther east, East Prussia. To make a long story short, England and France told Poland that should it be attacked they would aid in its defense. With this guarantee of help from England and France the Polish government refused to appease any of Germany's legitimate demands. Prof. Denson writes:

"The real irony of the beginning of World War II is that it started over Danzig and the Polish Corridor question, which both the British and French political leaders found to be the most indefensible part of the treaty and one which most needed to be revised peacefully. Hitler made numerous offers to the Allies and to Poland for settlement of the corridor question, one being to take Danzig back and letting the people inside the corridor remain subjects of the Polish government. Another offer was to let the people within the corridor vote on which government they wanted. The British and the French, who were formal allies of Poland, pushed the Poles to accept these offers from Hitler. Britain and France also requested that President Roosevelt push the Poles to accept Hitler's offers, but Roosevelt refused even to discuss the matter with Poland's representatives. The Polish government arrogantly refused even to reply to these offers, and Hitler finally attacked Poland on September 1, 1939. Because of their treaty obligations, France and England then declared war against Germany on September 3 but refused to assist Poland in any way. Hitler had not expected the British and French to go to war over a treaty provision that they knew and declared to him to be completely unfair to Germany and to her people located in Danzig and the corridor." (Denson J. V., 2001, p. 480)

...

The French and British war on Germany was called "the phony war" because there was little activity on either side. However, in April and May of 1940, the Germans shocked the world by defeating the French in about thirty-five days of combat and drove an Allied army of 335,000 men, who were mostly British, to the beach at Dunkirk where they were hopelessly trapped. Hitler gave orders to allow the helpless British army to escape in order to demonstrate dramatically that he had no quarrel with the British and desperately wanted to negotiate a treaty with them. He thought that a massacre at Dunkirk would inflame British public opinion and preclude a settlement with them. However, Winston Churchill became prime minister on May 10, 1940, and not only did he refuse to negotiate, but he immediately initiated bombing raids on German cities and civilians. War propaganda by the Allies, including America, has always stated that Hitler started the bombing of cities with his attack on the British city of Coventry, but the records now clearly indicate that Churchill initiated this. Taylor, the British historian, comments on this propaganda by stating that there was "almost universal belief that Hitler started the indiscriminate bombing of civilians, whereas it was started by the directors of British strategy as some of the more honest among them have boasted."

During the summer of 1940, after the bombing of civilians in German cities by the British, Hitler again tried desperately to reach a settlement with Churchill, but Churchill flatly refused to negotiate. It was not until November 1940 that Hitler retaliated by bombing British civilians and cities that were not military targets, such as Coventry. (Denson J. V., 2001, pp. 481-2)¹

Referring to Hitler, famed British war historian B. H. Liddell Hart wrote :

“At first he did not think of moving against Poland—even though she possessed the largest stretch of territory carved out of Germany after World War I...Hitler was inclined to accept Poland as a junior partner for the time being, on condition that she handed back the German port of Danzig and granted Germany a free route to East Prussia through the Polish ‘Corridor’. On Hitler’s part, it was a remarkably moderate demand in the circumstances. But in successive discussions that winter, Hitler found that the Poles were obstinately disinclined to make any such concessions, and also had an inflated idea of their own strength. Even so, he continued to hope that they would come round after further negotiation. As late as March 25 he told his Army Commander-in-Chief that he ‘did not wish to solve the Danzig problem by the use of force.’” (Hart, pp. 9-10)

“...The Polish Guarantee was the surest way to produce an early explosion, and a world war...It incited Hitler to demonstrate the futility of such a guarantee to a country out or reach from the West, while making the stiff-necked Poles even less inclined to consider any concession to him, and at the same time making it impossible for him to draw back without ‘losing face’.

Why did Poland’s rulers accept such a fatal offer? Partly because they had an absurdly exaggerated idea of the power of their out of date forces—they boastfully talked of a ‘cavalry ride to Berlin’. Partly because of personal factors: Colonel Beck, shortly afterwards, said that he made up his mind to accept the British offer between ‘two flicks of the ash’ off the cigarette he was smoking. He went on to explain that at his meeting with Hitler in January he

¹ With respect to Churchill’s escalation of the bombing and Hitler’s desire to avert war with England Boog, Krebs, & Vogel write:

“The Royal Air Force meanwhile began its air raids on targets in Germany east of the Rhine on 5 May 1940...Because of the totally inadequate bombsights of the Bomber Command bombers and the resulting horrendous inaccuracy, these strikes had the effect of terror raids on towns and villages, even though they were intended to be directed against military and industrial targets. The Luftwaffe made its first raids on military and economic objects in England only about seven weeks after the conclusion of the French campaign... As Hitler was still hoping Britain might give in, he expressly forbade attacks on London and against civilian targets. Crews were punished if they did so nevertheless, deliberately or unintentionally. It was in this situation that, during the night of 24/5 August 1940, a few German bombs were inadvertently dropped on the London area. Even British press at the time described the damage as exceedingly slight, and the official British history later confirmed that this had been a mistake by a German bomber. Churchill, however, exaggerated and exploited this incident to bring about a further escalation of the bombing war by ordering air attacks on Berlin.” (Boog, Krebs, & Vogel, pp. 362-3)

One British RAF member described a bombing operation: "Normally it was not difficult to find the target area but almost impossible to be anywhere near a specific target, so we just dropped the bombs at an estimated position and hoped for the best. I very much doubt if we ever hit a specific target" (Neillands, p. 38)

had found it hard to swallow Hitler's remark that Danzig 'must' be handed back, and that when the British offer was communicated to him he saw it, and seized it, as a chance to give Hitler a slap in the face. This impulse was only too typical of the ways in which the fate of peoples is often decided." (Hart, pp. 11-12)

Hitler never wanted a war with France or England whom he saw as other white races who had enlightened the world; he wanted their respect and equal treatment, especially that of England whose positive role in civilization he compared to that of the Catholic Church. Hart again:

"If he really contemplated a general war, involving Britain, he would have put every possible effort into building a Navy capable of challenging Britain's command of the sea. But, in fact, he did not even build up his Navy to the limited scale visualized in the Anglo-German Naval Treaty of 1935. He constantly assured his admirals that they could discount any risk of war with Britain." (Hart, p. 7)

More insight into how Hitler saw things and his hopes of averting a world war can be seen in the following passage by Albert Speer who was Hitler's main architect and close acquaintance:

"Hitler's view that the West would once more give in to his demands as it had done at Munich was supported by intelligence information: An officer on the British General Staff was said to have evaluated the strength of the Polish army and come to the conclusion that Polish resistance would soon collapse. Hitler thus had reason to hope that the British General Staff would do everything in its power to advise its government against so hopeless a war. When, on September 3, the Western powers followed up their ultimatum with declarations of war, Hitler was initially stunned, but quickly reassured himself and us by saying that England and France had obviously declared war merely as a sham, in order not to lose face before the whole world. In spite of the declarations there would be no fighting; he was convinced of that, he said. He therefore ordered the Wehrmacht to remain strictly on the defensive. He felt that this decision of his showed remarkable political acumen.

During those last days of August Hitler was in an unwonted state of nerves and at times completely lost the reassuring air of infallible leader...To his round table he explained: "Of course we are in a state of war with England and France, but if we on our side avoid all acts of war, the whole business will evaporate. As soon as we sink a ship and they have sizable casualties, the war party over there will gain strength." Even when German U-boats lay in a favorable position near the French battleship Dunkerque he refused to authorize an attack." (Speer, pp. 164-165)

Being closest to the Soviet Union among the leading world powers Hitler felt like they should support his firm anti-Communist stance and not get in the way of his German reunification. Hitler wanted Poland's friendship and saw Poland as a potential key ally against the Russians who were right next to Poland. Again, it was England and France who declared war on Germany and not the other way around.

To Hitler, and rightly so at the time before the Holocaust, the real

barbarians were the Communists in the Soviet Union led by Stalin. By the time the war had broken out on September 1st, 1939, Hitler had been harassing Jews in Germany for about 6 years in order to get them to leave, but such harassment was incomparable to the death and terror Stalin had already caused in the Soviet Union. For example, due to the forced collectivization of farming and grain requisitions imposed on the western part of the Soviet Union, especially the Ukraine, over six million people starved to death in 1932-3 in a tragedy referred to as Holodomor which means 'killing by hunger' in Ukrainian⁵². "millions of people are starving in a country that could be a breadbasket for the world" said Hitler in a speech on March 2nd, 1933 (Snyder, p. 61). In his book *Bloodlands: Europe Between Hitler and Stalin* Timothy Snyder compares the lethality of both regimes prior to war in 1938:

"Soviet terror, at this point, was not only on a far greater scale; it was incomparably more lethal. Nothing in Hitler's Germany remotely resembled the execution of nearly four hundred thousand people in eighteen months, as under Order 00447 in the Soviet Union. In the years 1937 and 1938, 267 people were sentenced to death in Nazi Germany, as compared to 378,326 death sentences within the kulak operation alone in the Soviet Union. Again, given the difference in population size, the chances that a Soviet citizen would be executed in the kulak action were about seven hundred times greater than the chances that a German citizen would be sentenced to death in Nazi Germany for any offense." (Snyder, pp. 86-88)¹

Hitler's harassment of the Jews, prior to the Holocaust, reached its peak on November 9-10 when SA stormtroopers and civilians destroyed and looted hundreds of synagogues and Jewish businesses in an event that came to be known as 'Kristallnacht'/'Night of Broken Glass'. At least 91 Jews were killed and 30,000 sent to concentrations camps where another 2,000 or so died before being released within the next three months on the condition that they leave Germany. As horrible as this was, again, it was incomparable to the fate of millions in the Soviet Union, yet the bad press that such an event rightly created around the world, coupled with existing hatred/fear of Germany due to WWI would help make England impervious to Hitler's legitimate demands, as well as his desire for peace with France and England, something which would fall on deaf ears once Winston Churchill rose to power in England.

A few sentences down from the previous quote by Speer, while still writing about Hitler's desire to avoid a world war, Speer writes:

"... I still remember his consternation when the news came that Churchill was going to enter the British War Cabinet as First Lord of the Admiralty. With this ill-omened press report in his hand, Goering stepped out of the door of Hitler's salon. He dropped into the nearest chair and said wearily: "Churchill in the Cabinet. That means that the war is really on. Now we shall have war with England." From these and other observations I deduced that this intention of real war was not what Hitler had projected." (Speer, p. 165)

As Speer's quote implies, one of the key factors which turned Hitler's attack on Poland into a world war was Churchill's rise to power. British Prime Minister at the outbreak of the war, Neville Chamberlain was well aware of this as well. In July 8, 1939 he had written to his sister that 'If Winston got into

¹ It should be noted that the true extent of Soviet crimes was not fully known to the West in the 1930s-40s. But they knew enough.

the Government, it would not be long before we were at war.' (Gilbert, 1991, p. 616)

Unfortunately for mankind, the turmoil and jingoism at the time created the atmosphere where Churchill, who was the ultimate glory-seeking war-hawk, did enter the government and rose to become Prime Minister. As Prof. Raico writes with respect to Churchill in his **MUST-BE-READ** essay aptly titled "Rethinking Churchill"¹:

"there *was* one constant in his life: the love of war. It began early. As a child, he had a huge collection of toy soldiers, 1500 of them, and he played with them for many years after most boys turn to other things. They were "all British," he tells us, and he fought battles with his brother Jack, who "was only allowed to have colored troops; and they were not allowed to have artillery." He attended Sandhurst, the military academy, instead of the universities, and "from the moment that Churchill left Sandhurst . . . he did his utmost to get into a fight, wherever a war was going on." All his life he was most excited on the evidence, only really excited by war. He loved war as few modern men ever have he even "loved the bangs," as he called them, and he was very brave under fire." (Denson J. , 2001, p. 325)

Prior to the outbreak of war, in January 30th, 1939 Hitler gave his famous warning about the potential "annihilation of the Jewish race":

"In the course of my life I have very often been a prophet, and have usually been ridiculed for it. . . Today I will once more be a prophet: If the international Jewish financiers in and outside Europe should succeed in plunging the nations once more into a world war, then the result will not be the Bolshevization of the earth, and thus the victory of Jewry, but the annihilation of the Jewish race in Europe!"

Many people point to speeches like this as proof that Hitler was intent on such annihilation, but this is not true². Even well into the war, some sort of forced migration of Jews was still Hitler's goal. Moving them to occupied Poland was looked at; moving them to Madagascar was also seriously considered; moving them further east into the Soviet Union was also considered but Stalin did not want them. It wasn't until the war began to go sour for the Germans and the possibility of defeat became a reality that the full hatred of Hitler's regime would be directed towards the deliberate mass extermination of the Jews, something which was done with secrecy in order to keep it away from the

¹ <http://www.jewrockwell.com/raico/churchill-full.html>

² This does not mean that I don't think Hitler would have loved for all Jews to disappear from the planet, because there is no doubt that he would have loved this. What I mean is that given his means, which includes popular opinion against such barbarism, he would not have given such an option much thought, unless, of course, the right opportunity presented itself. I wonder how many American presidents would have loved to have flipped a switch that removed all African Americans from the U.S.? Abraham Lincoln certainly tried to get rid of African Americans by hopefully sending them back to Africa, he said :

"My first impulse would be to free all the slaves, and send them to Liberia,-to their own native land. But a moment's reflection would convince me, that whatever of high hope, (as I think there is) there may be in this, in the long run, its sudden execution is impossible." –Abraham Lincoln, First Debate with Stephen A. Douglas at Ottawa, Illinois, August 21, 1858

German civilian population¹. Hitler's propagandist Joseph Goebbels' diary entry on March 27th, 1942 gives a good example of the regime's mindset:

"...A judgment is being visited upon the Jews that, while barbaric, is fully deserved by them. The prophesy which the Fuehrer made about them for having brought on a new world war is beginning to come true in a most terrible manner. One must not be sentimental in these matters. If we did not fight the Jews, they would destroy us. It's a life-and-death struggle between the Aryan race and the Jewish bacillus... **Fortunately a whole series of possibilities presents itself for us in wartime that would be denied us in peacetime.** We shall have to profit by this... the fact that Jewry's representatives in England and America are today organizing and sponsoring the war against Germany must be paid for dearly by its representatives in Europe - and that's only right."(emphasis mine)

The point of these last few paragraphs is not to remove any blame from Hitler's regime; it is to once again point out that it was largely because of the world war, something that came about due to France and England declaring

¹ It is important to note that the large-scale extermination of Jews would have gone against the general wishes of the German civilian population and thus the need for secrecy. Unfortunately, just like it occurred at the end of WWI, victorious politicians would want all of Germany to suffer and thus create the seed for another Hitler to rise and perhaps WWII. For example US President Roosevelt told Henry Morgenthau that "We have got to be tough with Germany, and I mean the German people not just the Nazis. We either have to castrate the German people or you have got to treat them in such a manner so they can't just go on reproducing people who want to continue the way they have in the past." (Persico, p. 348) He told Secretary of War Henry L. Stimson: "The German people as a whole, must have it driven home to them that the whole nation has been involved in a lawless conspiracy against the decencies of modern civilization." Roosevelt told the NY Times in August 1944 that "if I had my way, I would keep Germany on a breadline for 25 years!" – <http://www.jewishpress.com/pageroute.do/40645>

This sort of animosity towards all Germans carried over to the Allied occupation of a defeated Germany. The American and British authorities imposed various economic controls which paralyzed an economy desperate to produce and feed itself. In his essay "Did the United States Create Democracy in Germany" James L. Payne writes:

"Americans were not to engage in any kind of friendly, normal intercourse with Germans. They were not supposed to shake hands with them, to visit them in their homes, to play games with them, or to converse or argue with them. If they went to a German church, they had to sit in separate, American-only pews. The army newspaper Stars and Stripes ran many antifraternization slogans and statements such as "Don't fraternize. If in a German town you bow to a pretty girl or pat a blonde child...you bow to Hitler and his reign of blood" (qtd. In Davidson 1959,54). Military police arrested more than a thousand Americans in an effort to sustain the policy of nonfraternization(Davidson 1959, 55)...Troops were specifically ordered not to let American food supplies go to hungry Germans. American households were instructed not to let their German maids have leftovers; excess food was to be destroyed or rendered inedible (Davidson 1959, 85). A German university professor pointed out that U.S. soldiers "create unnecessary ill will to pour twenty liters of left-over cocoa in the gutter when it is badly needed in our clinics. It makes it hard for me to defend American democracy among my countrymen."(qtd. In Davidson 1959, 86)"

Fortunately for Germans, they stumbled upon Ludwig Erhard, who is described by the Mises Institute as:

"Ludwig Wilhelm Erhard (1897–1977) was chancellor of West Germany from 1963 until 1966. He is notable for his leading role in the "German Miracle," West Germany's postwar economic recovery: Erhard's decision, as economics director for the British and American occupation zones, to lift many price controls in 1948, despite opposition from both the social democratic opposition and Allied authorities, and his consistent advocacy of free markets, helped set West Germany on its phenomenal growth path — an economic recovery to rapid growth and widespread prosperity in the 1950s."

war on Germany, that inadvertently enabled the Holocaust and so much more misery and destruction to come.

Prof. Denson again:

“Therefore, we see that one of the main causes of World War II in Europe was the vindictive Versailles treaty and the failure of the Allies to revise it peacefully in the interim period between the wars. However, the Allies continued their parade of injustice at the Nuremberg war trials after World War II. One of the charges contained in count two was “crimes against peace,” which was interpreted to mean that Germany had violated the Versailles peace treaty. The initial unfairness of the treaty was considered irrelevant and inadmissible testimony; this effectively prevented Germany from explaining any of her actions from 1919 to 1939, and prohibited her from showing the attempts to revise the treaty peacefully. At the trials, the Allies made it appear that Germany was simply an unprovoked aggressor against the peaceful powers of Europe, just as the war guilt clause of the Versailles treaty branded the Germans with sole responsibility for the outbreak of World War I.”

We have come to the end of the subsection “World War I and its ramifications” which I would like to conclude with an awesome quote from economist Hans-Hermann Hoppe that nicely sums up WWI and its repercussions:

“If the United States had followed a strict non-interventionist foreign policy, the intra-European conflict likely would have ended in late 1916 or early 1917 instead of late 1918. Moreover, it would have been concluded with a mutually acceptable (face-saving) compromise peace rather than the one-sided terms actually dictated. Consequently, Austria-Hungary, Germany, and Russia would have remained traditional monarchies instead of being turned into short-lived democratic republics. With a Russian Czar and a German and Austrian Kaiser in place, it would have been practically impossible for the Bolsheviks to seize power in Russia, and in reaction to a growing communist threat in Western Europe, for the fascists and the national Socialists to come to power in Italy and Germany. The victims of communism, national socialism, and World War II—some 100 million European lives—would have been saved. The extent of government interference with and control of the private economy in the United States and Western Europe would have never reached the heights seen today. And rather than Eastern Europe (and consequently half of the globe) falling into communist hands and for more than 40 years being plundered, devastated, and forcibly insulated from Western markets, all of Europe (and the entire globe) would have remained integrated economically (as in the nineteenth century) in a world-wide system of division of labor and cooperation. Accordingly world living standards would have grown immensely higher than they actually did.”²⁵³

Why do they hate us

Why is the Muslim world so susceptible to the radicalization that led to the 9/11 attacks? As Dr. Paul keeps reminding us, it is the occupation and long history of meddling in the region. As the European powers were in a race to colonize the world due to their misguided zero-sum fears, which led them

to believe that they had to control natural resources; they plundered, mistreated, took favorites in regional disputes and so much more. This created plenty of reasons for some to get upset at the foreign players, mostly the British, who ruled much of the world in the early 20th century. For example, the Arabian Peninsula used to be just that, a geographic area that was populated by many Arab tribes, but one powerful Arab family headed by Ibn-Saud, backed by the British, finally conquered the large chunk of land that is now called Saudi Arabia. As Richard Maybury points out, this would be like the Ferguson family subduing all of Canada and calling it Ferguson Canada. Mr. Saud had 150 wives and today the country is run by his extended family. It is nepotism at its best. Recently Saudi Arabia's human rights abuses once again made the news when a woman was gang raped and found to be guilty and punished to 200 lashings. It was her fault for being in a car with someone she was not supposed to be with. Fortunately for her, enough media attention seems to have pressured the king to pardon her.

Saudi Arabia contains the two holiest cities in Islam. Mecca, the birthplace of Muhammad and Medina, Muhammad's burial place. A lot of people do not like the way the country is run, there are political and religious conflicts that go back hundreds of years, and everyone probably has good reason to hate someone else, including the nepotistic ruling establishment. But the U.S.'s economically ignorant tribal minded ideologues believe that the U.S. has "vital interests" in the region, so they pick a side to aid and then that side has the money and military backing to keep everyone else in check and continue a status quo that many do not like. This pisses people off, especially the fact that the United States had military bases in their holy lands, supporting the system they want changed. One of these people was Osama bin Laden, who had been fighting what he considered a bad Saudi government. Let's just read a little of what he said. From his 1996 fatwa⁵⁴.

Here he criticizes the government's mismanagement of the economy:

"People are fully concerned about their every day livings; every body talks about the deterioration of the economy, inflation, ever increasing debts and jails full of prisoners ... They complain that the value of the Riyal is greatly and continuously deteriorating among most of the main currencies."

"The financial and the economical situation of the country and the frightening future in the view of the enormous amount of debts and interest owed by the government; ... while imposing more custom duties and taxes on the nation."

Hum, looks like bin Laden knew a thing or two about economics. Actually, he did, he studied economics and business administration at King Abdulaziz University. Bin Laden's understanding of economics is his main weapon as we will soon discuss. Next he gets to the U.S. presence(at the time, which is no longer the case today) in "Holy Places":

"The latest and the greatest of these aggressions... is the occupation of the land of the two Holy Places... by the armies of the American Crusaders and their allies..."

"The crusaders were permitted to be in the land of the two Holy Places... The land was filled with the military bases of the USA and the allies. The regime became unable to keep control without the help of these bases. You know more than any body else about the size, intention and the danger of the

presence of the USA military bases in the area.”...

Next is a very important statement:

“More than 600,000 Iraqi children have died due to lack of food and medicine and as a result of the unjustifiable aggression (sanction) imposed on Iraq and its nation. The children of Iraq are our children. You, the USA, together with the Saudi regime are responsible for the shedding of the blood of these innocent children. Due to all of that, whatever treaty you have with our country is now null and void.”

These 600,000 Iraqi children are the same ones that Madeleine Albright, then US ambassador to the United Nations, was asked about in a “60 Minutes” interview in 1996. With respect to these sanctions imposed on Saddam’s Iraq⁵⁵ by the UN, with heavy pressure from the US, the question was “We have heard that half a million children have died. I mean, that’s more children than died in Hiroshima. And, you know, is the price worth it?” and Albright’s answer “I think this is a very hard choice, but the price — we think the price is worth it.”⁵⁶

Later in her autobiography, Mrs. Albright discussed how she regretted using those words as soon as she spoke them. But it doesn’t matter how bad she must have felt or how she worded things, what mattered was the deaths of thousands of innocent people due to misguided foreign policy.

Sanctions just hurt innocent civilians. Let’s hear it from Congressman Dr. Ron Paul:

“I oppose economic sanctions for two very simple reasons. First, they don’t work as effective foreign policy. Time after time, from Cuba to China to Iraq, we have failed to unseat despotic leaders by refusing to trade with the people of those nations. If anything, the anti-American sentiment aroused by sanctions often strengthens the popularity of such leaders, who use America as a convenient scapegoat to divert attention from their own tyranny. History clearly shows that free and open trade does far more to liberalize oppressive governments than trade wars. Economic freedom and political freedom are inextricably linked—when people get a taste of goods and information from abroad, they are less likely to tolerate a closed society at home. So while sanctions may serve our patriotic fervor, they mostly harm innocent citizens and do nothing to displace the governments we claim as enemies.”⁵⁷

The last people to get whatever resources are in short supply are the civilians who are not part of the ruling establishment. Did Saddam and his political structure suffer because of the sanctions? Of course not. But our tribal ideologues only think about the evil Saddam. No matter how small the chance that he might get a nuclear weapon to create a mushroom cloud over here might be, it justifies pretty much anything, especially when our top ideologues are so ignorant about human nature, economics, and many are heavily influenced by religious ideology that can easily detach Muslim deaths and suffering from their minds. It is true that Saddam was a bad guy, but our elected ideologue’s misguided foreign policy led to the deaths of more people than Saddam might have killed with his gassings, etc. But obviously our elected ideologues did not have bad intentions so this makes it alright through our eyes.

In another statement by Ayman Al-Zawahiri, close friend of bin Laden and Al-Qaeda #2, he explains⁵⁸ their justification for attacking civilian targets. According to Al-Zawahiri, Islam classifies people into enemy combatants and non-combatants. Combatants are people who either directly harm Muslims or *enable* those that do Muslims harm. He makes the point that since we freely elect our leaders and fund them as their policies harm Muslims, we are enemy-combatants and therefore fair game. An argument I do not support, but more on this in a second.

With respect to the 1993 World Trade Center bombings, bin Laden was asked by John Miller⁵⁹ “What about the World Trade Center bombing. It’s not like fighting the Russians on the field of battle. This is targeting innocents and civilians.” And bin Laden replied, “This is a very strange question coming from an American. Was it not your country that bombed Nagasaki and Hiroshima? Were there not women and children and civilians and noncombatants there? You were the people who invented this terrible game and we as Muslims have to use those same tactics against you.”

Bin Laden makes a seemingly good point. Although I doubt bin Laden knows the details of the U.S.’s dropping of the bombs, the nuclear bombs were dropped for political reasons that had nothing to do with saving American lives(not that this would have justified dropping the bombs anyways). Months before the bombs were dropped the Japanese had been trying to negotiate surrender in a way where they could keep their emperor, who according to their religion was a holy figure. As historian, John V. Denson mentions “Since President Truman, in effect, accepted the conditional surrender offered by the Japanese as early as May of 1945, the question is posed, “Why then were the bombs dropped?””⁶⁰. Long before the bombs were dropped, Japan had already been completely devastated by our B-29 bombers. For example, on the single day of March 9, 1945, 279 B-29s incinerated Tokyo killing over 185,000 Japanese. Mostly women and children for sure, at a cost of only 14 US planes (Hart, p. 691).

Our elected ideologues during the time wanted to intimidate the Russians by showing off their new weapon, justify their expenditures on the research to Congress, and another factor was the good’ol tribalism that makes us look at our human enemy as subhuman beasts. As president Truman mentions in a letter to Samuel McCrea Cavert, General Secretary of The Churches of Christ in America, “The only language they seem to understand is the one we have been using to bombard them. When you have to deal with a beast you have to treat him as a beast. It is most regrettable but nevertheless true.”⁶¹. Obviously there must be great genetic differences between Americans and the Japanese and therefore their ability to understand things. Moreover, the genetic differences are very big because they are “beast”. Luckily for us, we live in the 21st century and our great religious ideologue, Mr. Bush, would never think of Muslims in the same way, right?

Although Al-Zawahiri and bin Laden make some very good points I do not believe that their arguments justify the killing of innocent Americans in terrorist attacks. Americans’ ignorance of the suffering caused by the tribal-minded and ignorant ideologues who run US foreign policy does not justify labeling them as enemy combatants, and those of us who are aware would go to jail for not paying the taxes that support such policies. And obviously terrorist attacks cannot discriminate between people who might consciously

want to harm Muslims and those that do not. This reminds me of Dr. Paul's constant and important reminder that the real culprit in our troubles is NOT the American people, but our foreign policy. This is yet another example of how our groupish tribal mentality gets us into trouble, especially as it relates to war and dealing with foreigners. What comes to mind was the heated exchange between Dr. Paul and Mike Huckabee during a presidential debate(2008) where Dr. Paul explains how the American people were not to blame for the Iraq war debacle:

Dr. Paul : "The American people didn't go in. A few people advising this administration, a small number of people called the neoconservatives hijacked our foreign policy. They are responsible, not the American people. They are not responsible, we shouldn't punish them."

And Huckabee, representing the American tribe: "Congressman we are one nation. We can't be divided. We have to be one nation under God, and that means that if we make a mistake we make it as a single country, the United States of America, not the divided states of America."

America did not drop the bombs on Japan, it was the ideologues that had the means to do it. The point I want to make is that all human beings are equal. What sets the reader, myself, Truman, and bin Laden apart, is a sequence of thoughts and circumstances that leads our actions one way or the other. This is sort of obvious and is something our ideologues understand when they talk about putting pressure in various Muslim governments to close the more radical-minded schools. It is also wrong to just say that our elected ideologues are 100% of the problem. Human nature and economic ignorance is the problem. I remember knocking on doors weeks prior to the Iowa caucus(2008) telling people about Ron Paul, and running into one nice elderly man who told me we should kill all the Muslims. Do I think this old man is evil? Of course not. Did I simply have bad luck and stumble upon the one crazy old militant in Council Bluffs, Iowa? I don't think so either.

Bin Laden was not "evil", he was once a little boy who played and loved. He had wives and children that he loved and was little different from any other human being. Unfortunately, the religious lemons in his head coupled with US involvement in the area inevitably made lemonade that had a holy fervor about our occupation of their holy lands and involvement in their politics. But he did this with logical reasons and moral justification from a perspective shared by millions of other human beings, and was far from being this concentration of "evil" that our politicians made him out to be.

Bin Laden was a hero to millions, a man who willingly put himself in the front lines against the invading Russians to inspire his people. He was viewed favorably by 65% of people in Pakistan, 55% in Jordan, and 45% in Morocco⁶². We are not fighting bodies, we are fighting ideologies; sequences of thoughts and socioeconomic circumstances that can lead a mind to rationalizing that terrorist acts are a necessary thing.

By around March 6, 2006 in Iraq, the US had 14,000 detainees held without trial, out of which 3,800 had been held over a year and 200 for over 2 years⁶³. By 2008 the US detained almost twice as many, 26,000⁶⁴, and the resentment caused by such reckless judiciary was transforming such detention centers into breeding grounds for more extremism⁶⁵. According to Brig. Gen. Janis Karpinski, one of the Americans demoted due to the Abu Ghraib

scandal, one of the top brass giving out orders, Gen. Wodjakowski said, “I don’t care if we’re holding 15,000 innocent Iraqis, we’re winning the war.”⁶⁶ .

Testifying in a Senate hearing on September 26, 2006 about the prisoner abuse that occurred in Abu Ghraib Prison, Army Maj. Gen. John Batiste (ret.) explains the reality of the detainees in Iraq when he mentioned: “Probably 99 percent of those people were guilty of absolutely nothing, but the way we treated them, the way we abused them, turned them against the effort in Iraq forever.” (Hedges & Al-Arian, p. 72) Most of these detainees are the parents, brothers, uncles of an already malnourished population that desperately needs whatever help and love these people provide to their families. How do these people end up in detention? Hedges and Laila Al-Arian give us a taste of how people ended up being detained:

“Sergeant Bocanegra was instructed, during the first two months of the war, to detain Iraqis based on their attire. “They were wearing Arab clothing and military-style boots; they were considered enemy combatants and you would cuff ’em and take ’em in” he said...

“I remember on some raids, anybody of military age would be taken,” Bocanegra said. “Say, for example, we went to some house looking for a twenty-five-year-old male. We would look at an age group. Anybody from fifteen to thirty might be suspect.”

Spc. Steve Kraft said Iraqis, often unaware of military-imposed curfews, were arrested for violating them. “Ignorance alone does not preclude you from it,” said Specialist Kraft, who served an eleven-month tour with the 82nd Airborne Division in and around Baghdad.” (Hedges & Al-Arian, p. 74)

Let us momentarily forget the fact that no one in Iraq had anything to do with 9/11, that all evidence pointing to Saddam Hussein having weapons of mass destruction was fabricated by influential ideologues around president George W. Bush, and continue with the assumption that there were in fact some bad people in Iraq that we wanted to kill because they were the evil bad guys and they might hate something about Western culture. How upset would you be if some foreign country occupied your country; bombed your country’s buildings and infrastructure; inadvertently killed one of your family members or friends; destroyed your furniture and belongings as part of a house-raid¹ to

¹ For example, with respect to raids on homes, Hedges & Al-Arian write:

“Sgt. John Bruhns, twenty-nine, who estimated that he took part in raids on nearly one thousand Iraqi homes, described the procedure:

“You run in. And if there’s lights, you turn them on—if the lights are working. If not, you’ve got flashlights... You leave one rifle team outside while one rifle team goes inside. Each rifle team leader has a headset on with an earpiece and a microphone where he can communicate with the other rifle team leader that’s outside.” “You go up the stairs. You grab the man of the house. You rip him out of bed in front of his wife. You put him up against the wall. You have junior-level troops, PFCs [private first class], specialists will run into the other rooms and grab the family, and you’ll group them all together. Then you go into a room and you tear the room to shreds and you make sure there’s no weapons or anything that they can use to attack us.” “You get the interpreter and you get the man of the home, and you have him at gunpoint, and you’ll ask the interpreter to ask him: ‘Do you have any weapons? Do you have any anti-U.S. propaganda, anything at all—anything—anything in here that would lead us to believe that you are somehow involved in insurgent activity or anti-coalition forces activity?’ “Normally they’ll say no, because that’s normally the truth,” Sergeant Bruhns said. “So what you’ll do is, you’ll take his sofa cushions and you’ll dump

see if you had anything that could be potentially used to harm their occupying troops; placed your neighborhood under curfews thus making you a prisoner of your own house; and further paralyzed your economy and freedom of movement by setting up checkpoints throughout the city; how upset would you be if these and more hazards and inconveniences were forced upon you as an occupying power and its gun-ho twenty-year-olds tried to get a few bad guys? Even if you agreed with the invading army that the guys they were after were bad people, how can they put their desire to get some bad guys above your safety and material well-being? When we are out there, destroying property and inadvertently killing civilians, we are in some ways saying, “we care more about getting the bad guys than your life and economic prosperity”. We do not say it that way, and we don’t mean this, but this is a factual representation of our current policy in Iraq and Afghanistan. Remember, we want to “fight them over there, so we don’t have to fight them over here” regardless of how much property and innocent civilians we destroy. This is how our ideologues see things. The majority of Iraqis want us out of there and feel like our presence there is causing more harm than good⁶⁷. But their wishes and suffering are secondary to our “winning the war on terror”.

Over 1 million Iraqis have had their lives cut short due to the war and its consequences, over 2 million have been internally displaced and another 2 million have left the country. An entire generation will work, not to create a better future, but to repair a country that has been destroyed. But the American tribe only cares about it heroes.

The disconnect from the damage that US intervention in Iraq and Afghanistan has caused was once again on display in an interview of one time presidential hopeful Donald Trump by Fox News commentator Sean Hannity. While discussing the Iraq war:

Trump: “If it’s me: We take the oil. You know, in the old days when you win a country, you win a country. Now with our stupid people, you win a country, we lose money, we lose soldiers, we lose lives and then we leave”

“We take the oil”!?, “you win a country”!?. What kind of absurd and imperialist nonsense is that! Does Trump really feel like we are 19th century England?

Hannity: “How about at a minimum that they pay for their liberation”

Trump: “At a minimum they pay us back the 1.5 trillion. That’s at a minimum”

Michelle Bachman, another popular presidential hopeful made the same point when she said that *“I believe that Iraq should reimburse the United States fully for the*

them. If he has a couch, you’ll turn the couch upside down. You’ll go into the fridge, if he has a fridge, and you’ll throw everything on the floor, and you’ll take his drawers and you’ll dump them... You’ll open up his closet and you’ll throw all the clothes on the floor and basically leave his house looking like a hurricane just hit it.” “And if you find something, then you’ll detain him. If not, you’ll say, ‘Sorry to disturb you. Have a nice evening.’ So you’ve just humiliated this man in front of his entire family and terrorized his entire family and you’ve destroyed his home. And then you go right next door and you do the same thing in a hundred homes.” “Now, next week, ten roadside bombs go off. Instead of one attack on American troops, twenty attacks on American troops happen. And nobody can understand why.” ” (Hedges & Al-Arian, pp. 52-3)

amount of money we've spent to liberate these people... They're not a poor country, they're a wealthy country"

So we destroy the country causing untold pain and suffering to kill one bad dictator and given that according to Wikipedia Iraq has a GDP of 65 billion, we force them to fork over to the US their entire productive output for over 20 years in order to pay back the costs of the war? Thank God Trump is a nice guy and did not want that with added interest! He is obviously not a Jew! :-) Just kidding! I swear I'm not an 'anti-Semite'.

One of the many disturbing things about our wars in Iraq and Afghanistan is the increasing "coolness" of being in the military these days. Actually, being in the military has always been "cool" in some way or another. Not only did our elected ideologues lie us into war, many of our soldiers are causing rampant death and destruction. It is worrisome to look at the many youtube videos showing footage of the war with loud heavy metal music full of testosterone⁶⁸ as well as countless comments glorifying all the destruction and the taking out of the bad guys. It is young macho tribalism at its best. We like to tape ourselves doing cool things, like having sex for some people, and this carries over to blowing things up with all the cool weaponry that is a sign of power. Our armed forces have lowered their standards for the acceptance of recruits to all time levels. In a matter of hours an ill-educated and maladapted youth who might even have a criminal record⁶⁹ can suddenly become one of "America's finest", a "hero". This type of move by our military is yet another slap in the face to the thousands who were lied into fighting this ideological war for the *seemingly* right moral reasons. Then we have thousands of military contractors like the famed Blackwater USA(now renamed to Xe Services LLC) who are not accountable to any court for their actions and can get away with pretty much anything.

Specialists Jeremy Morlock and Adam Winfield have described in video testimony how their platoon killed Afghan civilians for sport, creating another Abu Ghraib-like scenario in which thousands of Muslims will be rightly persuaded to take up arms against American troops, and possibly the taxpayers who support them. While trying to bring awareness of what was going on, Adam Winfield would write to his parents that "Pretty much the whole platoon knows about it. It's okay with all of them pretty much." His father asked "No one else thought it was wrong?" to which Adam replied "No, everyone just wants to kill people at any cost, they don't care, the Army is full of a bunch of scumbags, I realized."⁷⁰

The point of all this is that there are more than enough facts, atrocities and blunders by our wars and interventions in the Middle East to create the necessary sequence of thoughts needed to have thousands of human beings rise up against Americans regardless of the good intentions of our elected ideologues and the American public at large.

A so-called "insurgent" is just one of these human beings that has absorbed such a sequence of thoughts. A sequence of thoughts that has

inadvertently been created by our own misguided foreign policy and ultimately the tribalism and ignorance of a few ideologues at the top of our government. How can these “insurgents” be considered bad guys when they are repelling *an external occupying force* and there are plenty of valid reasons for them to want to fight Americans?

Even if we have good intentions and the various reasons why they want to fight Americans can be refuted by some lengthy logic in order to overcome the previously mentioned scenarios, how can these people be blamed for not having the fortune of having absorbed such reasoning? Many Muslims who fight the occupations believe that the U.S. is a sort of empire which is there to purposely rob them of their oil and natural resources. Although oil/energy-related politics is an important reason why the U.S. meddles in the Middle East, believing that the U.S. attacks and occupies Iraq and Afghanistan solely to enrich its corporations would be an absurdity. But if this is the way they see things and causes them to attack our troops in their countries, is killing them the right thing to do?

We should not look at wars as people killing each other; we should see them as sequences of thoughts which lead to people killing each other. Killing the individual does nothing to change the ideas/memes/ideologies that motivate people to kill each other, it only helps intensify the fervor with which those conflicting ideas spread through people’s minds. Our wars in the Middle East and the inadvertent and often times indiscriminate killing of the local population, *regardless of how they think*, are a reflection of the lack of understanding on the part of our ruling ideologues, which is itself an outcome of the human nature, tribalism, and ignorance of the American masses, which via the democratic process, ensures that our representative body shares our collective ignorance/tribalism. Again, democracy, and its effectiveness at creating a political structure that is reflective of the ignorance and tribalism of the public is at the core of the problem. Any politician who does not consider the Middle East to be filled with bad people who want to harm America, let alone sympathize with them, has little chance of getting elected, much less make it to the upper echelons of power which can lead to a change in policy.

A good example of our draconian ideology can be seen in the detention and prosecution of Omar Ahmed Khadr. Omar was just 15 years old when he was captured by American troops after a firefight in Afghanistan (7/27/2002) for *allegedly* throwing a grenade which led to the death of a US soldier. He was held in detention *for over 8 years* while the good people decided what to do with this supposedly evil murderer. If there was ever a case in which reasonable adults could understand how a child can be excused for his actions this would be it. Omar is the son of Ahmed Said Khadr, a man who had close ties to al Qaeda and bin Laden. Given the environment in which he grew up, it is only natural that he would grow up wanting to fight the occupying power. He did not even *allegedly* throw the grenade at some unsuspecting troops. A firefight had taken place, one that was started by American troops demanding that the group of men Omar was with exit the place where they were and surrender to US troops.

Omar should at the very least be given POW treatment as an adult, which would still be unwarranted given that he was so young. He is given a new kind of treatment, he is a “terrorist” a new class of sub-human being, one so different than the rest that traditional POW treatment should not apply.

But for how long can one be a POW on a “war against terror” which has no end? Khadr was eventually sentenced to 40 years of additional imprisonment although he has agreed to a plea deal for 8.

It is true that some parts of the Islamic world apply what to Westerners seem like barbaric justice like cutting a thief’s hand, or stoning women to death, but let’s not forget that the so called civilized American world, just a few generations ago treated blacks with equal cruelty, and women were also the property of men. When a lion attacks his trainer, most trainers understand that the lion should not be “punished” for his actions. Well, the same should apply towards respecting the customs of those regions of the world and whatever hatred of the West they might have given what has been, as well as what they perceive has been, done to them. Again, it is mostly about sequences of thoughts intertwined with human nature and various circumstances; military occupation/invasion, besides causing suffering only helps exacerbate the problem.

A few words about joining the military are called for. Little do Americans realize that when they join the armed forces, they are not fighting to protect our freedoms, they are simply surrendering their freedom and agreeing to become part of the largest chain of command whose sole purpose is to do what the elected ideologues want. In George W. Bush’s case, “My administration has a job to do... We will rid the world of the evil-doers.”⁷¹

Other statements by Bush:

“This will be a monumental struggle of good versus evil. But good will prevail.”⁷²

“You know, you’ve heard me talk about this probably, but I really, truly view this as a conflict between good and evil. And there really isn’t much middle ground—like none. The people we fight are evil people... Either you’re with us or you’re against us. Either you’re on the side of freedom and justice or you aren’t.”⁷³

With respect to Bush’s decision-making process, Jacob Weisberg in his book “The Bush Tragedy” discusses Bush Jr.’s ignorant and cowboy decision making:

“This Bush did not want to host debates in his office or hear a range of opinions. He would begin a foreign policy discussion by stating his own views—and would bristle if someone had the temerity to challenge them. He did not intend to use his national security adviser as a filter for differing opinions. He definitely did not want to read long, boring memos... He rejected rethinking, micromanaging, or getting too absorbed in the details.” (Weisberg, p. 171)

Journalist Christopher Hitchens characterized Bush as “unusually incurious, abnormally unintelligent, amazingly inarticulate, fantastically uncultured, extraordinarily uneducated, and apparently quite proud of all these things.”⁷⁴

On April 6th 2004 in a meeting with other administration leaders like Colin Powl and Donald Rumsfeld, Bush exclaimed:

“Kick ass!”... “If somebody tries to stop the march to democracy, we will seek them out and kill them! We must be tougher than hell! ... Our will is being tested, but we are resolute. We have a better way. Stay strong! Stay the course! Kill them! Be confident! Prevail! We are going to wipe them out! We are not

blinking!” (Sanchez & Philips, p. 350)

Kill for democracy? So as Jefferson said, “fifty-one percent of the people may take away the rights of the other forty-nine.”? So that the Shia majority in Iraq could take away the rights of the minority Sunnis and Kurds? The Russians’ ruling ideologues helped groups that supported their commie share-the-wealth ideology and suited what they considered to be their national interests. The American elected ideologues help groups that are friendlier towards spreading democracy and are also suited to our ideologue’s perceived national and corporate interests. When one realizes that all human beings are equal, it becomes a lot easier to see how our good intentions can lead to harm just like they did for the Russians and that we are not all that different, at least as Middle East meddling is concerned.⁷⁵

Bush’s dad felt like invading Iraq to get Saddam after the Gulf War would have been a bad idea, he wrote:

“Trying to eliminate Saddam...would have incurred incalculable human and political costs...We would have been forced to occupy Baghdad and, in effect, rule Iraq...Had we gone the invasion route, the U.S. could conceivably still be an occupying power in a bitterly hostile land.”⁷⁶

But does Bush Jr. even consult his father for advice? Of course not, he said “You know, he is the wrong father to appeal to in terms of strength. There is a higher father that I appeal to.”⁷⁷

With respect to Bush’s Secretary of Defense Donald Rumsfeld, Weisberg writes:

“Rumsfeld wanted to go to war with Iraq for his own reasons. He saw invading Iraq as an opportunity to demonstrate the theory of “military transformation.” With new technology, the defense secretary believed the Pentagon could fight wars cheaply and easily, with many fewer troops. By proving the efficacy of new technology and tactics, Rumsfeld thought he would leave an important legacy in his second turn at Defense Department” (Weisberg, p. 201)

Our invasion and military occupation of Iraq and Afghanistan is a constant source of hatred and moral inspiration. Since our invasion, there have been far more terrorist attacks and recruiting people for martyrdom has never been easier. Here bin Laden comments on his happiness with respect to the US occupation of Iraq:

“Be glad of the good news: America is mired in the swamps of the Tigris and Euphrates. Bush is, through Iraq and its oil, easy prey. Here is he now, thank God, in an embarrassing situation and here is America today being ruined before the eyes of the whole world.”⁷⁸

And sadly, America is being “ruined”, which will be the topic of our next section, but first, a few words on one of the most important reasons why “they hate us”, America’s support of Israel regardless of its expansionist and oppressive policies against the Palestinians.

The Significance and Evolution of American Support for Israel

Both the World Trade Center bombing in 1993 as well as 9/11 had U.S. support of Israel as their main justification. For example, the perpetrators of the 1993 bombing mailed letters to major newspapers as part of their attack stating that:

“This action was done in response for the American political, economical, and military support to Israel the state of terrorism and to the rest of the dictator countries in the region.

OUR DEMANDS ARE:

Stop all military, economical, and political aid to Israel.

All diplomatic relations with Israel must stop.

Not interfere with any of the Middle East countries interior affairs.”

From John J. Mearsheimer and Stephen M. Walt’s book “The Israel Lobby and U.S. Foreign Policy”:

“According to Michael Scheuer, who directed the CIA’s intelligence unit on al Qaeda and its founder, the young bin Laden was for the most part gentle and well behaved, but “an exception to Osama’s well-mannered, nonconfrontational demeanor was his support for the Palestinians and negative attitude towards the United States and Israel.” After September 11, bin Laden’s mother told an interviewer that “in his teenage years he was the same nice kid... but he was more concerned, sad, and frustrated about the situation in Palestine in particular, and the Arab and Muslim world in general.” ... The 9/11 Commission confirmed that bin Laden and other key al Qaeda members were motivated by Israel’s behavior toward the Palestinians and by U.S. support for Israel. ... In the first meeting between Atta, the mission leader, and bin Laden in late 1999, the initial plans called for hitting the U.S. Capitol because it was “the perceived source of U.S. policy in support of Israel.” In short, bin Laden and his deputies clearly see the issue of Palestine as central to their agenda. The 9/11 Commission also notes that Khalid Sheikh Mohammed—whom it described as “the principal architect of the 9/11 attacks”—was primarily motivated by the Palestinian issue. In the commission’s words, “By his own account, KSM’s animus toward the United States stemmed not from his experiences there as a student, but rather from his violent disagreement with U.S. foreign policy favoring Israel.” It is hard to imagine more compelling evidence of the role that U.S. support for Israel played in inspiring the 9/11 attacks.” (Mearsheimer & Walt, pp. 66-7)

There is a reason why Zionist Israeli historian Benny Morris titled his highly acclaimed history of the Zionist-Arab conflict “Righteous Victims”, because Zionism and its adherents, regardless of their good intentions, led to great injustices and suffering for Palestinians thus making them “Righteous Victims”. If these efforts had instead been made towards the further expansion of tolerance and liberty to peoples in all countries where Jews lived, perhaps freedom and tolerance of all human beings would have progressed faster than it did and so would the wellbeing of Jews. But this is not what happened, due to religious zeal, ethnocentrism, poor judgment and an understandable desire to have a safe-heaven, Zionism was pursued at the expense of justice which has proven itself to lead to much of the current troubles in the Middle East, the so called “war on terror”, not to mention the

9/11 attacks, and who knows what more to come.

When one looks at the personalities responsible for terrorist attacks against the US like 9/11 and the 1993 World Trade Center bombing, one finds college educated people like Ziad Jarrah(9/11) who studied engineering in Germany and was in many ways indistinguishable from a Westerner. If all terrorists spent their youths memorizing the Quran and being brainwashed to hate the West because of its pornography, then the sort of naïve understanding of terrorism that the American public has would be just a little bit closer to the truth, but as in the case of Ziad Jarrah and many others, they are far from being such mindless religious zealots. How is it that the necessary sequence of thoughts leading to acts like 9/11 can come into existence in the mind of someone like Ziad? Easily... To believe in God means to believe in an ultimate sense of justice, God's justice. When Muslims learn about the history of Israel and its current policies, it is **IMPOSSIBLE** for them—if they truly believe in God and thus his ultimate sense of justice—not to be sympathetic towards the Palestinians and hate the Israeli government and the many Jews who consciously/willingly support its ethnocentric and expansionist policies.

Since at the core of the Israeli government there is an *expansionist* religious and ethnocentric ideology, this expansionism is naturally resisted via an equally militant reaction. We have already discussed how religions survive based on the values they preach and the social order these values help maintain. Such values have to lead to a sense of justice and cohesion that prevents the people who follow them from being victims and allowing something like what led to the creation of Israel and its expansionist policies to occur. So whether a person is brought up in a very religious environment or whether he takes religion more seriously later in life as in the case of Ziad, there is simply no getting around the intense dislike for Zionist expansion/oppression that must come as one is inspired by a sort of heavenly sense of justice. And this does not just apply to the Israeli-Palestinian conflict; it applies to the application of justice in general, it inspires millions to fight foreign military occupation anywhere it exists. The occupation of places like Iraq and Afghanistan and aforementioned actions by the US/West creates the circumstances and incentives that lead to the creation and spread of the necessary sequence of thoughts needed to transform people into fighters or so called “insurgents”. This leads to more occupation and interference by the U.S. which leads to more incentives and “insurgents” in a cycle which ends when the U.S. economy collapses just like the Soviet Union's did, but more on this later.

So back to the U.S./Israel relationship. The US government supports Israel in various ways: economically, militarily, and diplomatically. Although Israel is a wealthy country by international standards, it is the largest recipient of U.S. foreign aid getting more than 3 billion dollars per year which is about \$500 per Israeli (Mearsheimer & Walt, p. 26). The US gives Israel access to the latest military hardware and has helped transform Israel into one of the most technologically sophisticated militaries in the world⁷⁹. It also vetoes or threatens to veto UN Security Council resolutions that are critical of Israel, for example, from 1972 to 2006 it vetoed 42 such resolutions⁸⁰.

During the Suez War/Crisis of 1956, Israel captured the Gaza Strip and the Sinai Peninsula from Egypt. After the crisis the UN General Assembly

passed a resolution (voted 65(yes)-1(no,Israel)) calling for the withdrawal of all armies invading Egyptian soil. Israel did not want to withdraw, but the American Eisenhower administration threatened an end to all aid to Israel and UN sanctions, so eventually Israel changed its mind and gave back the conquered territory (Morris, 1999, pp. 298-9). This was then; back in the day when for reasons we'll get to in a second Israel did not have the sort of influence in American politics that it does today. Let us fast forward to 2010. In the biggest pro-Israel conference of 2010, the AIPAC¹ Policy Conference, Secretary of State Hillary Clinton said in a speech:

“for President Obama and for me, and for this entire Administration, our commitment to Israel’s security and Israel’s future is rock solid, unwavering, enduring, and forever...”

Later she reiterates the Obama administration’s dislike of Israel’s decision to continue to expand its illegal presence in East Jerusalem and how it undermines the peace process, she says:

“New construction in East Jerusalem or the West Bank undermines that mutual trust and endangers the proximity talks that are the first step toward the full negotiations that both sides say want and need. And it exposes daylight between Israel and the United States that others in the region hope to exploit.”⁸¹

Yet a few hours later when his turn to speak came, Israeli Prime minister Benjamin Netanyahu, making the usual argument about Jews having lived there thousands of years ago, made it clear that his administration will not cease to build on East Jerusalem:

“The connection between the Jewish people and the Land of Israel cannot be denied. The connection between the Jewish people and Jerusalem cannot be denied. The Jewish people were building Jerusalem 3,000 year ago and the Jewish people are building Jerusalem today. Jerusalem is not a settlement. It is our capital.”

It is very simple, as already mentioned, the Bible is Netanyahu’s land registry, so for him and his many supporters they have a historical and religious right to all lands previously roamed by their ancient tribes regardless of what a few U.S. politicians might say no matter how high up they might be or how the native population of Palestinians feels about it.

The U.S. also helps(or hurts in the long run) Israel by fighting its neighbors in order to weaken them and prevent them from potentially harming Israel. The war against Iraq would probably not have taken place if weren’t for the strong pro-Israeli positions held by many U.S. politicians and their advisors, especially those within the Bush Jr. administration, as well as lobbying by Israeli politicians and organizations like AIPAC. For example, perhaps the best summary of the most important reason why the U.S. attacked Iraq was given by former General and former Presidential hopeful Wesley

¹ Stands for ‘American Israel Public Affairs Committee’

Clark when he said in August 2002 that “*those who favor this attack now will tell you candidly, and privately, that it is probably true that Saddam Hussein is no threat to the United States. But they are afraid that at some point he might decide if he had a nuclear weapon to use it against Israel.*”⁸²

Mearsheimer and Walt write that:

“AIPAC executive director Howard Kohr’s statement to the New York Sun in January 2003 is even more revealing, as he acknowledged that “‘quietly’ lobbying Congress to approve the use of force in Iraq” was one of “AIPAC’s successes over the past year.” And in a lengthy New Yorker profile of Stephen J. Rosen, who was AIPAC’s policy director during the run-up to the Iraq war, Jeffrey Goldberg reported that “AIPAC lobbied Congress in favor of the Iraq war.”

AIPAC has remained a firm supporter of the U.S. presence in Iraq. In the fall of 2003, when the Bush administration was having difficulty convincing Senate Democrats to allocate more money for the war, Senate Republicans asked AIPAC to lobby their Democratic colleagues to support the funding requests. AIPAC representatives talked to some Democratic senators and the money was approved” (Mearsheimer & Walt, p. 242)

Journalist Jonathan Cook writes that:

“...Thomas Neumann, executive director of the Jewish Institute for National Security Affairs, described the Bush White House ‘as the best administration for Israel since Harry Truman’, referring to the president who recognized the newly established Israeli state in 1948. Shortly before the attack on Iraq a senior US official told the *Washington Post*: ‘The Likudniks [Sharon¹ supporters] are really in charge now.’ And a former leading official in the Bush Snr’s Administration observed that from the moment of 9/11 Sharon had been working on Bush Jnr to persuade him that they were facing the same threat: international terrorism. ‘Sharon played the president like a violin: “I’m fighting your war, terrorism is terrorism,” and so on. Sharon did a masterful job.’”⁸³

From the Washington Post article Cook quotes above, Robert G. Kaiser writes:

“For the first time, a U.S. administration and a Likud government in Israel are pursuing nearly identical policies. Earlier U.S. administrations, from Jimmy Carter’s through Bill Clinton’s, held Likud and Sharon at arm’s length, distancing the United States from Likud’s traditionally tough approach to the Palestinians. But today, as Neumann noted, Israel and the United States share a common view on terrorism, peace with the Palestinians, war with Iraq and more. Neumann and others said this change was made possible by the terrorist attacks of Sept. 11, 2001, and their aftermath.”⁸⁴

Benjamin Netanyahu has said that “*We are benefiting from one thing, and that is the attack on the Twin Towers and Pentagon, and the American struggle in Iraq,*” and that this event had “*swung American public opinion in our favor.*”⁸⁵

Bush Jr., with his ‘good vs. evil’/‘axis of evil’/‘evildoer’ ideology was simply the perfect ideologue to fall for the whole naïve clash of civilizations ideology which the Israelis unfortunately find themselves in. Little by little the

¹ Ariel Sharon was the Israeli Prime minister as Bush launched the Iraq War. Likudniks refers to members or supporters of Sharon’s and Netanyahu’s Likud party.

original seed of injustice which was an offshoot of European/British Imperialism and racism has grown into the conflict which is bankrupting the U.S. and more.

Christian Zionism

Why is it that the U.S. government has evolved to be so pro-Israel to the point that historian and political commentator Patrick J. Buchanan has keenly said that “Capitol Hill is Israeli occupied territory.”?

First of all, the US government acts in a way that is strongly pro-Israel because a significant number of Americans themselves are strongly pro-Israel. This is a democracy after all. Let us begin with the most obvious reasons why American Christians would side with Jews/Israel over a conflict with Muslims. Jews and Christians share the Old Testament but reject the Quran; Christ was born a Jew; from a biblical perspective God gave Israel to the Jews; both Jews and Christians do not recognize Islam’s divinity; Jews, especially the Ashkenazi¹ or European Jews which most Americans deal with are white compared to the more darker skinned stereotypical Muslims and have more in common in terms of recent European culture. But there are other more subtle and very important reasons. As already discussed, especially when it came to the restrictions on Jewish immigration during Hitler’s reign, Jews were not very much liked in Christian America, but as America’s religious outlook changed over the last 60 or so years, so did its views of Jews. By the late 1950s the United States was experiencing the sort of Rock & Roll revolution which led to more sexual freedom, flower power, drugs, gay’s rights, more acceptable abortion, etc². Many minds began to view this transformation as moral decay which aggravated the sort of egalitarian traditional conservative morals which had been the standard for generations. For many Americans, especially the sort of “white establishment”, this decay can be seen as culminating in the dominance of the despised Hip-Hop culture which I believe played at least a small yet significant factor in getting out the religious vote which helped bring Bush Jr. into office in the year 2000. As America’s religious mindset became more disillusioned with where the future was heading, it began to organize politically and focus more on the shunning of such decadent values and ultimately and most importantly, it began to focus more and more *in the afterlife*. Simply put, a significant chunk of American Christians believe that the sort of moral decadence we are experiencing is further evidence that we are getting close to experiencing the second coming of Christ, Armageddon, the end of the world and stuff like that. What does this have to do with America’s support for Israel? For people with such views³, events like the creation of modern Israel in 1948 and the increasing amount of trouble centered around Israel are further evidence that we are getting nearer to this great battle of good vs. evil

¹ There are 5-6 million Ashkenazi Jews in the US and only about 250,000 Sephardic Jews.

² And for this Rock & Roll revolution you can blame black people and their contagious swagger ☺. People like Chuck Berry, Little Richard, James Brown, Ray Charles, Sam Cooke and so on...More on this “evil” characters later.

³ Among the most popular mega pastors who influence millions with such views you have people like Reverend Jerry Falwell (passed away in 2007), John Hagee who founded the largest evangelical political organization which supports Israel, Christians United for Israel (www.cufi.org), and Pat Robertson and the Christian Trinity Broadcasting network which pretty much reaches all corners of America.

which will bring about Christ's second coming. Bible passages like Luke 21:20 "When you see Jerusalem being surrounded by armies, you will know that its desolation is near" are some of the many passages which can help support such "end times" ideologies. Many evangelical Christians who are looking forward to such Armageddon feel like in order to help bring it about and keep the world along such prophetic lines the United States and Christians must continue to support Israel. Whatever their justification for supporting Israel, these people can fall under the label of Christian Zionists.

There are Senators like Jim Inhofe(Republican-Okla) who believe that American foreign policy in the Middle East should be based on the Bible⁸⁶. There are the mega-church pastors like John Hagee, the leader of "Christians United for Israel", who are eagerly awaiting the second coming of Christ and believe that our support of Israel and our meddling in the Middle East must continue in order for this prophesy to come true in the near future⁸⁷. In an interview given by Max Blumenthal of Tom Delay(the former House Majority Leader and therefore top Republican in congress from 2003-2005) at John Hagee's "Christians United for Israel Tour", when asked by Max "How much of an inspiration is the second coming in your support for Israel?" Tom said :

"Obviously it is what I live for and I hope it comes tomorrow... And obviously we have to be connected to Israel in order to enjoy the second coming of Christ".⁸⁸

More recently, on Sept 20th, 2011 as a Palestinian bid for statehood before the UN once again brought Israel to the forefront, Texas Gov. and one of the leading Republican presidential hopefuls Rick Perry stated that:

"As a Christian I have a clear directive to support Israel, from my perspective it's pretty easy both as an American and a Christian. I am going to stand with Israel."

Although these powerful religious leaders are often times ignored in the U.S. their anti-Islam and pro-Israel remarks are taken seriously by Islamic clerics.

To the aforementioned pro-Israel links between Jews and Zionist Christians one needs to add the cooperation of leading Christian Zionists and Israeli politicians. Menachem Begin had befriended mega pastor Jerry Falwell. Craig Unger writes that "He and Begin got along famously. In 1980, Begin presented Falwell with the prestigious Jabotinsky Award, making him the first gentile to receive it. He gave Falwell's ministry a private jet." (Unger, p. 109) Unger again :

"In 1982, Falwell brought more than three dozen evangelical leaders from the Moral Majority to Israel to foster ties between it and American evangelicals. He cultivated personal friendships and political alliances with Menachem Begin, Benjamin Netanyahu, and Ariel Sharon. Israel gave multimillion-dollar grants to Falwell's Liberty University, enabling him to bring as many as three thousand students at a time from Liberty University to tour the Holy Land...New travel agencies sponsored Bible Prophecy Tours. Bible tourism soared. Troubled by the fact that many American Jews looked askance at evangelical Christians, in 1983, Rabbi Eckstein founded the Fellowship to bridge the gaps between the two groups and to support Israel...Soon Eckstein found support for the alliance in the Oval Office, where even President

Ronald Reagan expressed Christian Zionist sentiments. “You know,” Reagan told Tom Dine, executive director of the powerful Israeli lobbying group, the American Israel Public Affairs Committee (AIPAC), “I turn back to your ancient prophets in the Old Testament and the signs foretelling Armageddon, and I find myself wondering if we’re the generation that’s going to see that come about.” (Unger, pp. 112-3)

In this match made in heaven between fundamentalist Christian evangelicals and Israeli leaders, who can be said to be making the best use of the other? On the one hand you have religious leaders who have probably read little outside of the Bible, and on the other you have people like Menachem Begin, who was reading classical literature (in Latin) as a teenager, grew up to survive Soviet gulags, rose to the top of the Irgun and eventually a nation of very smart Jews; and people like Benjamin Netanyahu who has a degree in Architecture from MIT among other accolades. I know such generalization says little, but I believe the Israelis have the upper hand.

On one occasion, unaware of the fact that the camera was rolling, Netanyahu gave away how easy it was to manipulate Americans while talking to some Jewish settlers, part of his conversation went as follows:

Woman: “Aren’t you afraid of the world, Bibi?”

Netanyahu: “Especially today, with America. I know what America is. America is something that can easily be moved. Moved to the right direction.”

Later Netanyahu said: “80% of the Americans support us. It’s absurd. We have that kind of support. ... Look. That administration [Clinton] was extremely pro-Palestinian. I wasn’t afraid to maneuver there. I was not afraid to clash with Clinton.”⁸⁹

Here Netanyahu is probably referring to negotiations held in early 1998 where he was under pressure from Clinton’s White House to resume peace talks. On the night of January 22nd, Falwell met with Netanyahu and promised him that he would mobilize 200,000 pastors to pressure Clinton and prevent him from pressuring Israel into returning any of the occupied West Bank territory.⁹⁰

More recently, German Prime Minister Angela Merkel mentioned to her cabinet that “every word that leaves Netanyahu’s mouth is a lie.”⁹¹ And unaware that microphones were still listening, French President Nicholas Sarkozy had a dialog with Obama about Netanyahu that went as follows:

Sarkozy: “I cannot stand him. He’s a liar”

Obama: “You’re fed up with him? I have to deal with him every day.”

Here you have the leaders of the world’s most powerful countries showing their dislike for the leader of a tiny country “whose entire population is less than that of New York City”, yet they are under tremendous pressure to support Netanyahu’s government.

On April 15th 2011, popular Fox News host Glenn Beck devoted the entire hour of his program to Israel where he rightly brought attention to the

importance of this small region of the world. On this particular day one could see the ignorance and naïve good vs. evil thinking which plagues so much of the American public, especially so called conservatives who due to their more religious affiliation are more susceptible to good vs. evil mentality as already discussed⁹². In his show he had mega pastor and preacher of Armageddon John Hagee and Rabbi Joseph Potasnik who is the executive vice president of the New York Board of Rabbis. Some of the dialog towards the end of program went as follows:

Rabbi Potasnik: We teach our young people the difference between decency and indecency, evil and good. I simply say: look at what's going on in the world. Look at Israel. Stand with the good, stand with the decent and let's stand together.

What is Potasnik implying here? That Palestinians don't teach their children the difference between decency and indecency? It is that simple, right? Just see some Palestinian blow himself up or throw a rocket in the direction of Israel and it is obvious who the evil people are, right? I'm not in favor of throwing rockets into Israel like some Palestinians do, but obviously it is absurd to make the naïve good vs. evil distinction this dialog is about without understanding the history and circumstances that create that 'sequence of thoughts' which are intertwined with human nature to lead to such actions.

Glenn Beck: It's amazing how clear it is.[Glenn looks at audience and asks them] Is it clear to everybody, good and evil. And are you amazed? Do you stand next to people and say "what the heck is wrong with you?"

More of the same, this time by Glenn. Next we get a feel for just how powerful and influential this crusade of good vs. evil is:

John Hagee: "In February 2006 we organized Christians United for Israel which is a national Christian organization that now has over 600,000 leaders who once a year go to Washington DC to interact with with every senator and congressman on behalf of Israel."

A few statements later Beck concludes with the following words:

"There is a clear line between good and evil and it is becoming more clear each and every day. I urge you to do your own homework, find out where the good is and stand there."

I agree with doing your own homework and standing for what you believe is right, but the problem with the previous dialogue is, again, the naïve good vs. evil mentality that ultimately becomes the lowest common denominator when it comes to segregating masses and getting them ready for mass rioting/killing/etc. When things look as obvious as good vs. evil it just means that there is tremendous ignorance about the sequences of thoughts and incentives that leads human beings, which for all important purposes are equal, into hating each other and acting the way that they do.

This sort of ignorance, especially when it comes to Israel and the tribal morons who run the US government was once again on full display when Republican presidential hopeful Herman Cain was asked what he thought about "the right of return", which is a short-hand for the demand that Palestinians make where they expect that they will be allowed to return to the lands they were expelled from in 1948 and 1967. Mr. Cain did not know what "the right of return" was about. Fortunately for him the interviewer gave him

a quick overview in order to get his opinion. Not knowing about this is bad enough for someone who wants to be US president, but in an interview a few days later, where he admitted that he had not known about the issue, he said that now he had educated himself about it and said that the reason why the refugees left was because the Arab leadership told them to leave which is nonsense. They left because they were attacked and driven out.⁹³ Yes, some people urged others to leave, but this just makes sense, why not flee from superior forces and the destruction they are causing?

Another great example of the tremendous influence that Israel has on US politics was on display in late May, 2011 when President Obama gave a speech stating that the US supported a 2 state solution where Israel would withdraw to the 1967 border. Immediately Netanyahu and the forces of good (Republicans and their conservative/religious flock) decried Obama's statements. Fox news showed video of an old Palestinian woman who said that God had brought the Jews to Israel so that they could all be slaughtered. A few days later Netanyahu gave a speech rebuking Obama's statements which was interrupted by applause 56 times and had 26 standing ovations. Three-time member of the Israeli Knesset (their congress) as well as former Irgun member who admits he used to be a terrorist, Uri Avnery, commented on the tremendous praise and standing ovations Netanyahu got while addressing congress:

“What the American Senators and Congressmen feared was a fate worse than death. Anyone remaining seated or not applauding wildly enough could have been caught on camera – and that amounts to political suicide. It was enough for one single congressman to rise and applaud, and all the others had to follow suit. Who would dare not to?”⁹⁴

And yet another example is how in the summer of 2011, 81 congressmen will be visiting Israel on trips paid for by the American Israel Education Foundation. As Stephen M. Walt writes “That’s right: during the August recess nearly *a fifth* of the U.S. Congress will visit a single country whose entire population is less than that of New York City”⁹⁵. Why do they do this? Is it because there is some massive conspiracy by Jews to run the world like it might seem to many, especially some Arabs? I don’t think so and hope that some of the topics that have been discussed show the various factors that have evolved this sort of situation.

Iran: not really the epicenter of evil

In large part thanks to Israel, Iran is now seen as the sort of epicenter of evil in the world, and people like Israeli Prime Minister Benjamin Netanyahu treat Iran and its president, Mahmoud Ahmadinejad, as being analogous to Germany and Hitler in the late 1930s prior to launching Europe into war and eventually leading to the Holocaust. Netanyahu mentions that:

“It’s 1938 and Iran is Germany. And Iran is racing to arm itself with atomic bombs... Israel would certainly be the first stop on Iran’s tour of destruction, but at the planned production rate of 25 nuclear bombs a year ... [the arsenal] will be directed against ‘the big Satan,’ the U.S., and the ‘moderate Satan,’ Europe... Iran is developing ballistic missiles that would reach America, and now they prepare missiles with an adequate range to cover the whole of Europe”⁹⁶

Thanks to statements like this and the islamophobia that plagues the U.S.

Ahmadinejad is portrayed as some crazy evil madman and is often times accused of saying that he wanted to 'wipe Israel of the map' giving the impression that he wanted to sort of nuke the country or kill everyone there, an impression readily absorbed by the gullible and islamophobic U.S. public, especially the so-called 'evangelical Christians' who play an important role in the Republican Party. Well, Ahmadinejad never said such a thing, it was a mistranslation; see (Cook, 2008, p. 77) for more details. Ahmadinejad is also portrayed as making the ultimate sin, that of denying the Holocaust. This too is a popular myth. In 2006 Iran held an "International Conference to Review the Global Vision of the Holocaust" which was exactly what the title implies, a conference to review the "Global Vision of the Holocaust". Some people, especially in the Islamic world, quite understandably want to verify and discuss the official story to see if perhaps it has been exaggerated for political or financial gain. It turns out that the Holocaust **has** been and continues to be used for political/financial/personal gain by all sorts of people, like people who made up stories about having been in concentration camps in order to receive sympathy and financial support and a whole lot more. Prof. Norman Finkelstein, a Jew whose parents survived Nazi concentration camps, has written a classic book on the shameful exploitation of the Holocaust appropriately titled "The Holocaust Industry: Reflections on the Exploitation of Jewish Suffering". Don't get me wrong, Ahmadinejad has little understanding of how the world works, thanks to his economically ignorant economic policies Iran is a semi-socialist Keynesian basket case. I saw him give a speech where he blamed bad weather on some new technology Europeans were using to manipulate weather to their benefit⁹⁷, so the guy is definitely out there. Ok, back to the evil Iranians in general.

As of this writing there is no evidence that Iran is working towards a nuclear bomb. Iran makes itself available for nuclear inspections and is a member of the Nuclear Non-Proliferation Treaty(which Israel, which has nuclear weapons, refuses to join¹). Iran's supreme religious leader, Ayatollah Khamenei, has issued a fatwa, or religious edict, against the acquisition of nuclear weapons which he considers to be forbidden under Islam. If the Iranian regime really were anything like pre-war Germany it would have expelled its 25,000+ thousand Jews *which is the largest Jewish population of any Muslim country*. Khamenei's predecessor and leader of the Iranian/Islamic Revolution of 1979, Ayatollah Ruhollah Khomeini, issued a fatwa as he rose to power declaring Jews to be a protected minority. Khomeini might have had a virulent hatred of the Israeli State and Zionism, a hatred which *is* a prominent feature of Iranian politics, but he respected the religious freedom of Jews and Christians who are after all followers of legitimate prophets and recognized

¹ Israeli nuclear engineer Mordechai Vanunu left Israel and went to England and leaked knowledge of Israel's nuclear program in 1986. He was eventually lured to Italy by a female Israeli secret agent and captured, given a trial behind closed doors, and jailed for 18 years including 11 in solitary confinement. He was released from jail in 2004 but remains a parolee in Israel unable to leave the country and with numerous restrictions, for example on May 2010 he was jailed for 3 months for speaking to foreigners. He has been nominated for the Noble Peace Prize several times and Daniel Ellsberg* has referred to him as "the preeminent hero of the nuclear era"

* Daniel Ellsberg leaked top secret papers which became known as the "Pentagon Papers" which showed the true nature of the Vietnam War and thus helped bring it to an end as well as the Nixon presidency. The documentary about Daniel "The Most Dangerous Man in America: Daniel Ellsberg and the Pentagon Papers" is a must-see and leaves one inspired by Mr. Ellsberg's courage.

and protected under Islam. Jews' and Christians' religious freedoms are protected by the Iranian constitution (Article 13) and are allocated seats in the Iranian Parliament. There are 20 synagogues just in Iran's capital, Tehran. Compare Iran, a country in Bush's famous 'Axis of evil' to one of America's supposedly great political allies in the Middle East, Saudi Arabia. In Saudi Arabia Judaism and Christianity are outlawed, there are no churches or synagogues there, and anyone caught publicly practicing such faiths can be in big trouble with the law. People are allowed to practice their religion in private though. 15 out of the 19 September 11 hijackers were from Saudi Arabia and so was Osama bin Laden. Not surprisingly, according to wiki-leaked State Department memos Secretary of State Hillary Clinton stated that "Donors in Saudi Arabia constitute the most significant source of funding to Sunni terrorist groups worldwide."⁹⁸

Iran, like any country, has its many politicians with various degrees of influence, I am sure that many of them would like to pursue a nuclear bomb and perhaps they are. So what!? Pakistan has a nuclear bomb and it is probably a more unstable place. We should not forget that the US has already needlessly dropped two atomic bombs and has been close to using them again. For example, during the Vietnam War, President Nixon mentioned to then Secretary of State Henry Kissinger that "I'd rather use the nuclear bomb" and "The only place where you and I disagree ... is with regard to the bombing... You're so goddamned concerned about the civilians and I don't give a damn. I don't care."⁹⁹

Besides American support of Israel, Iran has its own more personal and legitimate reasons for fear and dislike of the United States government. Like with many peoples in the Middle East, the US was once seen very favorably in Iran because it had fought off the colonialist British rule which at some point ruled many in the region. In 1953, via a CIA orchestrated coup, British Prime Minister Winston Churchill (yeah, Churchill again) and US President Dwight D. Eisenhower removed the democratically elected government of Iranian Prime Minister Mohammad Mosaddegh and installed a dictatorship in its place headed by the Shah¹⁰⁰. As journalist Eric Margolis describes :

"Savak, the vastly powerful security agency, imposed a reign of terror on Iran. American and Israeli experts advised and taught Savak. Real and imagined opponents of the Shah, the Shia clergy, and leftists all fell victim to Savak, whose tortures and brutalities were legendary, even by Mideast standards."¹⁰¹

The US also helped Saddam Hussein fight Iran during an exhausting eight year war (9/1980 to 10/1988). The famous handshake between Saddam Hussein and Donald Rumsfeld comes to mind. On July 3rd 1988 the U.S. Navy's USS *Vincennes* shot down Iranian commercial flight IR655 killing all 290 passengers claiming it had mistaken the giant and slumbering plane for an F-14 fighter jet. Millions of dollars in technology were no match for the crew's incompetence and the gun-ho attitude of its captain, William C. Rogers. Captain David Carlson, in charge of the nearby USS *Sides* which had had no problems identifying the true identity of the plane said that the incident "marked the horrifying climax to Captain Rogers' aggressiveness"¹⁰² The U.S. government never admitted any wrongdoing nor officially apologized for the incident, a law suit brought via the International Court of Justice did get the

U.S. gov. to pay money to the families of the victims.

The US, thanks to relentless Israeli lobbying, imposes increasingly harsher sanctions on Iran which help damage the entire economy to the detriment of all Iranians, US warships constantly roam nearby waters, the U.S. supports and arms Iran's potential regional adversaries and has military bases all over the region. Iranian politicians and religious leaders know that American and Israeli ideologues are looking for any excuse to attack their country and attempt some wonderful social transformation like they attempted in Iraq and thus have little incentive to want to do anything that can give the US and Israel the excuse they are looking for.

Iran is far from being as free as Western democracies might be used to, but the bottom line is that it is far from being anything like what Benjamin Netanyahu and many hawkish U.S. politicians portray, and certainly not like Nazi Germany. Iran and its leadership simply refuse to recognize the State of Israel as a legitimate government and hate the Zionist ideology and politicians which were responsible for it and continue to inevitably oppress the Palestinians. This might not be 'nice' but again, it is far from the sort of demonic evil that is currently used to portray Iran.¹⁰³

Dictatorships for Israel. The Egyptian uprising of 2011

In late January 2011, as Egypt experienced a popular revolt, talk of US foreign policy and Israel was once again prominent news. Why is it that the US does so much talking about democracy yet Egypt's dictatorship was the second largest recipient of US foreign aid? Because this dictatorship was a "reliable partner" in American support for Israel. A democratic Egypt, one which truly reflected the views of its citizens, the views of people who are right next to Gaza and have close hand experience and memory of what has happened and continues to happen in Gaza, the West Bank, and dwells in history, would put far more pressure on Israel to end its occupation of the West Bank/'settlement expansion' and who knows what else!¹⁰⁴. Remember May 31st 1921? When Churchill told the British Cabinet that *'The development of representative institutions in Palestine was at present suspended owing to the fact that any elected body would undoubtedly prohibit further immigration of Jews'*? Well, fast forward several generations and what you have in Egypt and much of the Middle East is the inadvertent continuation of that policy. Democracy in Egypt is too risky for American and Israeli ideologues in their battle of good-innocent-can-do-no-wrong-holocaust-survivor-Jews vs. evil-backward-Muslims, so billions of US dollars went to fund, arm, train, the Egyptian military and bureaucracy which oppressed many Egyptians.

At a congressional hearing on March 1st, 2011 congressman Ron Paul criticized Secretary of State Hillary Clinton for America's interventionist and dismal foreign policy and more specifically America's support of the Egyptian dictatorship. Part of Hillary's reply is below:

"Take Egypt for example. I believe that it was in America's interest and in Israel's interest to support Egypt[Mubarak's regime] following the Camp David Accords. 30 Years of peace between Egypt and Israel, albeit not a warm and fuzzy peace, but nevertheless a peace, was an essential element of Israel's ability to develop and continue to strengthen itself in a very tough

neighborhood ... I think Israel, certainly in my conversations at the highest levels, prefers predictability, prefers stability, do not want vacuums created that could lead to very bad outcomes for them”

So while Israel had a military occupation of Gaza/‘West Bank’/‘East Jerusalem’ and populated these areas with over half a million people against the wishes of the natives who had already been displaced in 1948 and 1967, the US helped keep the area stable by supporting dictators that would play nice.

Sadly, even if Egyptians (and Libyans and everyone in the Middle East that as of this writing are protesting against their dictatorships) got the democracy they seem to want, the economic policies would probably not be much different and would make little difference in their material prosperity thus leading to more economic problems and the blame-game and social chaos that follows, until eventually another dictatorship is naturally selected because it will bring more social order. From what I see in the media, besides the lack of freedom of speech, it seems like most Egyptians are upset at the government because it is not providing jobs or taking care of the people. With such a big-government ideology, which is so prevalent in the Middle East, they are bound to remain in chaos. It is not as if Egyptian dictator Mubarak does not care about the economy/people, I am sure that he would go to great lengths to improve it. I don’t remember where I heard it but I believe at some point he even had a team of American economic experts help him out, which helps explain why their economy remains in shambles.

As reported by Al Jazeera: “Egyptian President Hosni Mubarak, facing a popular revolt against his rule, has ordered Ahmed Shafiq, the new prime minister to preserve subsidies, control inflation and provide more jobs.” (Jazeera, 2011) Isn’t that awesome!? All problems will be solved now for sure! A few days later on Feb, 7th the government agreed to increase pay and pensions of public sector employees by 15%. If these are the kinds of changes that will appease the Egyptian masses in general, again, they will remain in poverty. Economist Robert Wenzel summed up the Middle East uprisings nicely when he blogged that:

“the problem with these popular uprisings is that the masses have little understanding of the benefits of private property, the rule of law and free markets, and are likely to replace one tyrant with another tyrant with a different name and pose.”¹⁰⁵

Since religion currently plays a bigger role in Middle East politics, it is important that the economic teachings of the Austrian School are not only made available in Arabic/Farsi(Iran), but also that such economic views can be defended by religious scholars, actually, this sort of thing can help in the Christian world as well¹⁰⁶. Fortunately, just like Christendom had its various religious scholars who would defend and help evolve the Catholic Church in a more market-tolerant direction¹⁰⁷, so does Islam¹⁰⁸.

Are you an anti-Semite like Charles Lindbergh?

A few pages ago I briefly mentioned how according to leading Jewish intellectual Alan Dershowitz former US president Jimmy Carter awaits a special place in hell for not understanding or sympathizing with Jewish

suffering enough. Another patriotic American who was greatly smeared as being anti-Semitic was Charles Lindbergh, the first man to fly non-stop over the Atlantic Ocean. His triumphant flight brought him instant worldwide fame and made him an influential and prominent American figure. Charles had a clear vision of the self-serving political forces which lead nations to disastrous wars and he wanted to keep the US out of the Second World War with good reasons. He became the leading spokesman of the America First Committee which was the largest anti-war group at the time and sought to keep the US out of WWII. On Sept. 11th, 1941 he gave a speech where he mentioned the following(bold emphasis mine):

“When this war started in Europe, it was clear that the American people were solidly opposed to entering it. Why shouldn't we be? We had the best defensive position in the world; we had a tradition of independence from Europe; and **the one time we did take part in a European war left European problems unsolved, and debts to America unpaid.**

National polls showed that when England and France declared war on Germany, in 1939, less than 10 percent of our population favored a similar course for America. But there were various groups of people, here and abroad, whose interests and beliefs necessitated the involvement of the United States in the war. I shall point out some of these groups tonight, and outline their methods of procedure. In doing this, I must speak with the utmost frankness, for in order to counteract their efforts, we must know exactly who they are.

The three most important groups who have been pressing this country toward war are the British, the Jewish and the Roosevelt administration.

...

As you all know, we were left with the debts of the last European war; and unless we are more cautious in the future than we have been in the past, we will be left with the debts of the present case. If it were not for her hope that she can make us responsible for the war financially, as well as militarily, **I believe England would have negotiated a peace in Europe many months ago, and be better off for doing so.**

England has devoted, and will continue to devote every effort to get us into the war. We know that she spent huge sums of money in this country during the last war in order to involve us. Englishmen have written books about the cleverness of its use.

We know that England is spending great sums of money for propaganda in America during the present war. If we were Englishmen, we would do the same. But our interest is first in America; and as Americans, it is essential for us to realize the effort that British interests are making to draw us into their war.

The second major group I mentioned is the Jewish.

It is not difficult to understand why Jewish people desire the overthrow of Nazi Germany. The persecution they suffered in Germany would be sufficient to make bitter enemies of any race.

No person with a sense of the dignity of mankind can condone the persecution of the Jewish race in Germany. But no person of honesty and vision can look on their pro-war policy here today without seeing the dangers involved in such a policy both for us and for them. **Instead of agitating for war, the Jewish groups in this country should be opposing it in every**

possible way for they will be among the first to feel its consequences.

Tolerance is a virtue that depends upon peace and strength. History shows that it cannot survive war and devastations. A few far-sighted Jewish people realize this and stand opposed to intervention. But the majority still do not.

Their greatest danger to this country lies in their large ownership and influence in our motion pictures, our press, our radio and our government.

I am not attacking either the Jewish or the British people. Both races, I admire. But I am saying that the leaders of both the British and the Jewish races, for reasons which are as understandable from their viewpoint as they are inadvisable from ours, for reasons which are not American, wish to involve us in the war.

We cannot blame them for looking out for what they believe to be their own interests, but we also must look out for ours. We cannot allow the natural passions and prejudices of other peoples to lead our country to destruction.²¹⁰⁹

Such reasonable and unfortunately prophetic statements led to accusations that Lindbergh was an anti-Semite even though, as his wife would tell a journalist in 1980, “in the 45 years I lived with him I never heard him make a remark against Jews, not a crack or a joke, neither did any of my children.”¹¹⁰

It is important to note that his speech was delivered before the mass killings of Jews. The Roosevelt administration could have encouraged peace settlements, it could have told Hitler to just allow all Jews to come to the US. If he knew how the free-market worked he could have given Hitler a lesson but I can't really blame Roosevelt for being another economically ignorant socialist like Hitler.

I wanted to just briefly bring up Lindbergh's speech to sort of conclude our discussion on the geopolitical impact of Judaism/Israel/Palestine and how the understandable desires and impact of a tiny group of people has *inadvertently* led and continues to lead to so much turmoil, not only for Jews themselves, but for much of the Western world. Since we briefly discussed the polarizing nature of the conflict when briefly mentioning Jimmy Carter and also recently discussed the origins of WWII, I thought this particular speech by Lindbergh would be a good addition. As I mentioned at the very beginning of my section on the history of Israel, the Israeli/Palestinian conflict, as well as the sort of co-evolution of Judaism and the Western world requires a basic understanding of just about every theoretical concept we have discussed in the book, from human nature, to our inherent ethnocentrism, to the evolution of religions and their impact on the evolution of the market process, to important bits of history and so on. Lindbergh's speech should remind people of the various special interests that sway government in directions that are not necessarily in the interest of the general population and the dangerous and shameful anti-Semitic smearing that can befall people whose opinions are disliked by some Jews. People should keep this in mind when they see all the 'war with Iran' talk you get from the mainstream tribalistic drones that run the U.S. government.

So what can or should be done about the whole mess? I don't know

for sure. What I do know is that an understanding of economics, freedom, and the history of what has happened and continues to happen there is vital for whatever solution will emerge, and I hope the sections in this book have been useful for the reader towards that cause. I am actually very enthusiastic that as the intellectual revolution I'll be describing in more detail soon spreads, the turmoil in the Middle East will greatly subside.¹¹¹

The destruction of the American social order via military spending

It costs a few Iraqis/Afghanis/"insurgents"/'evildoers' about \$25 to make a bomb, while it is costing America billions to protect its soldiers against them. The upset Iraqis/Afghanis, thanks to our limited tribal understanding of the world, are destroying the American social order, not via the direct blowing up of our buildings, but via the economic destruction that the military industrial complex is doing to our social order. Let's look at this further.

According to one wikipedia article¹¹², the economic damages incurred by hurricane Katrina were about 150 billion dollars. So about 150 billion dollars in human usable wealth in terms of buildings, property, etc. were destroyed. Society lost this wealth. It is as if it were traded for nothing, and as if 150 billion dollars in wealth would have to be consumed in order to feed, clothe and equip thousands of people to rebuild that which was lost. If the loss is not replaced, then Louisiana and Mississippi remain without such wealth, but if it is replaced, 150 billion worth of wealth will still have to be consumed/removed from the economic pie in order to recreate the lost wealth. Either way, 150 billion in wealth has disappeared. In 2008, the total expenditure in national security was over 1,000 billion dollars¹¹³. Over a trillion dollars worth of wealth will be consumed from the economic pie to sustain and expand our national security-related social order. We will lose over a trillion dollars worth of homes, cars, energy, etc. to sustain millions of people, from the thousands stationed in our 700 plus bases in over 130 countries, to those who work in our large politically connected military contractors like Lockheed Martin and Bechtel, and everyone they do business with and so on. All for the ability to prevent another major power from crossing either the Pacific or Atlantic oceans with enough troops to occupy us, and to defend other wealthy countries and police the world, which as previously shown, can do fine without the hapless US taxpayer. This is just way too much when one considers the actual probability that something like this will happen. With the right understanding of economics one can easily come to the conclusion that our *yearly* "national security" spending is almost as big a disaster as having 5 Katrina-like disasters...every year!

Just the Iraq war by itself has already cost over 700 billion dollars. According to Nobel laureate Joseph E. Stiglitz, by March 2008 he estimated that the Iraq and Afghanistan wars were creating economic liabilities of 16 billion dollars per month¹¹⁴ which comes down to about 530 million dollars per day. When a soldier has his legs blown off by a roadside bomb, the *immediate* costs of his medical care might be in the tens of thousands of dollars but when one factors in the entire costs or *future financial liability* to the U.S. government for a lifetime of care and benefits you are now looking at hundreds of thousands or millions per wounded soldier. The price of oil for the entire world would have been lower should the wars not have taken place.

From October 2009 to October 2010, the U.S. government spent over 80 billion dollars just on “intelligence”¹¹⁵. Again, over 80 billion dollars in wealth in terms of energy, cars, food, TVs, computers, medical care, etc. was consumed from the economic pie to sustain thousands of people employed by gigantic government bureaucracies like the CIA, FBI, and Military Intelligence Program and the thousands of companies that they do business with. Bureaucracies that being protected by secrecy and flag-waving patriotism can take inefficiency and waste to unprecedented levels. 80 Billion dollars is more than the productive yearly output of Panama, Honduras, Nicaragua, and Costa Rica COMBINED¹¹⁶. Yet with all of this spending/consumption, a low ranking officer, Bradley Manning, was allegedly able to get access and quickly copy hundreds of thousands of classified records and make them available to the world thanks to Wikileaks. Oh, and for environmentalist in us, just in the year 2004, the US military consumed more oil than the entire country of Greece, a country with over 11 million people¹¹⁷, and one can assume that by now that consumption must be much larger. The US military is currently spending/consuming over 20 billion dollars per year just in keeping its troops air conditioned in Iraq and Afghanistan¹¹⁸! 20 billion dollars is more than the entire yearly productive output of Afghanistan! It is also more than the 18.724 billion that funded NASA¹¹⁹. Out of the 15 trillion US national debt, about half of it has been incurred due to military spending.

Every day that we are in Iraq and Afghanistan the American private sector loses tens of millions of dollars worth of wealth that are needed to feed/clothe/cure everyone who is involved in these disasters. If our military wasn't so needlessly huge, most of these people would be in the private sector, adding wealth to it instead of being enormous drains on society. Every hundred thousand dollar missile or bomb we fire to destroy some building and inadvertently kill civilians, also destroys a hundred thousand dollar home over here which was never allowed to come into existence because the food/clothes/medicine needed to sustain the people building it had to be diverted to sustaining the people involved in the manufacturing of the missile/bombs. Every dollar we spend above that which is truly needed to protect ourselves is a dollar we spend destroying ourselves and our future.

Our military spending does not make us any safer. Our foreign policy has in fact made us much more likely to have another major terrorist attack, the kind of attack that our billions worth of tanks, aircraft carriers, fighter jets, etc. are utterly useless against.

Having discussed economics well enough by now, we should realize that the Military-Industrial-Complex is one of the largest monopolies in the entire world. No job probably has more stability than a job in the armed forces. In Iraq, 12 billion dollars suddenly went unaccounted for¹²⁰. Only in a monopoly as bureaucratic and protected by secrecy and flag-waving tribalism as the Military-Industrial-Complex could inefficiencies like this happen on a regular basis, especially when we are trying to manage wars thousands of miles away. We have a hard time knowing where the money goes once it makes it to Washington D.C., so one can just imagine how much easier it is for the billions to disappear when the money is shipped even further away.

As the United States continues its socioeconomic decline, other countries like China and Russia get to grow their economies. While our ideologues want to inadvertently cripple our already deteriorating economy via

more military consumption and threatening Iran, other powers like Russia and China increase their economic pies by trading with Iran. As we are doing this, we have presidential candidates(2008), like John McCain, who are talking about continuing our occupation of holy Muslim lands for 100 years¹²¹, and Rep. Tom Tancredo propose retaliatory nuclear strikes on Muslim holy sites like Mecca should terrorists nuke American cities. Think about this: some overtly religious nuts manage to nuke one of our cities, and we retaliate by killing millions of innocent people and destroying a spiritual center to over 1.5 billion of people. The Islamic world is hearing all of this, Tancredo's remarks made headlines in Islamic countries. But obviously this has nothing to do with motivating someone, a human being, with an already strong territorial instinct, to attack American troops and look forward to the death of many Americans who fund such occupations via their taxes and ideology.

Next, I thank Mr. Jeffrey St. Clair from counterpunch.org for giving me permission to include his following article¹²² that gives us just one tiny example of what our Military-Industrial Complex is like.

Lockheed and Loaded: The Company that Runs the Empire. By Jeffrey St. Clair

*****Part I*****

Lockheed is headquartered in Bethesda, Maryland. No, the defense titan doesn't have a bomb-making factory in this toney Beltway suburb. But as the nation's top weapons contractor, it migrated to DC from southern California because that's where the money is. And Lockheed rakes it in from the federal treasury at the rate of \$65 million every single day of the year.

From nuclear missiles to fighter planes, software code to spy satellites, the Patriot missile to Star Wars, Lockheed has come to dominate the weapons market in a way that the Standard Oil Company used to hold sway over the nation's petroleum supplies, before being broken up for being a monopoly. And it all happened with the help of the federal government, which steered lucrative no bid contracts Lockheed's way, enacted tax breaks that encouraged Lockheed's merger and acquisition frenzy in the 1980s and 1990s and turned a blind eye to the company's criminal rap sheet, ripe with indiscretions ranging from bribery to contract fraud.

Now Lockheed stands almost alone. It not only serves as an agent of US foreign policy, from the Pentagon to the CIA; it also helps shape it. "We are deployed entirely in developing daunting technology," Lockheed's new CEO Robert J. Stevens told *New York Times* reporter Tim Weiner. "That requires thinking through the policy dimensions of national security as well as technological dimensions."¹²³

Like many defense industry executives, Stevens is a former military man who cashed in his Pentagon career for a lucrative position in the private sector. The stern-jawed Stevens served in the Marines and later taught at the Pentagon's Defense Systems Management College, an institution which offers graduate level seminars in how to design billion dollar weapons deals. From the Marines, Stevens landed first at Loral, the defense satellite company. Then in 1993 he went to work for Lockheed, heading its "Corporate Strategic Development Program". There Stevens wrote the game plan for how

Lockheed would soar past Boeing, General Dynamics, Northrop Grumman and the others, as the top recipient of Pentagon largesse.

The plan was as simple as it proved profitable. Instead of risking the competition of the marketplace, Lockheed, under Steven's scheme, would target the easy money: federal contracts. The strategy was also straightforward: flood the congress with PAC money to get and keep grateful and obedient members in power. Those friendly members of congress would also be surrounded by squads of lobbyists to develop and write legislation and insert Lockheed-friendly line items into the bloated appropriations bills that fund the government. It also called for seeding the Pentagon and the White House with Lockheed loyalists, many whom formerly worked for the company.

"We need to be politically aware and astute," said Stevens. "We need to work with the congress. We need to work with the executive branch. We need to say: we think it is feasible, we think this is possible. We think we have invented a new approach."

The scheme succeeded brilliantly. By the end of the 1990s, Lockheed had made the transition from an airplane manufacturer with defense contracts to a kind of privatized supplier for nearly every Pentagon weapons scheme, from the F-22 fighter to the Pentagon's internet system. Then 9/11 happened and the federal floodgates for spending on national security, airline safety and war making opened wide and haven't closed. Lockheed has been the prime beneficiary of this gusher of federal money.

Since September 2001, the Pentagon's weapons procurement program has soared by more than \$20 billion, from \$60 billion to \$81 billion in 2004, Lockheed's revenues over the same time period jumped by a similar 30 percent. And, despite the recession and slumping Dow, the company's stock tripled in value.

Almost all of this profiteering came courtesy of the federal treasury. More than 80 percent of Lockheed's revenue derives directly from federal government contracts. And most of the rest comes from foreign military sales to Israel, Saudi Arabia, South Korea and Chile. Israel alone spends \$1.8 billion a year on planes and missile systems purchased from Lockheed. Lockheed sells weaponry, from F-16 fighters to surveillance software, to more than 40 nations. "We're looking at world domination of the market," gloats Bob Elrod, a senior executive in Lockheed's fighter plane division.

And there's little risk involved. Nearly all of these sales are guaranteed by the US government.

After 9/11, Bush tapped Lockheed's Stevens to lead his presidential commission on the Future of the US Aerospace Industry, a body which, not surprisingly, wasted little time pounding home the importance of sluicing even more federal dollars in the form of defense and air traffic control contracts to companies such as Lockheed.

But Steven's position was just the icing on a very sweet cake. Former Lockheed executives and lobbyists toil every day on behalf of the defense giant from the inside the administration and the Pentagon. At the very top of the list is Steven J. Hadley, recently tapped to replace Condoleezza Rice as Bush's national Security Advisor. Prior to joining the Bush administration, Hadley represented Lockheed at the giant DC law firm of Shea and Gardner. Other

Lockheed executives have been appointed to the Defense Policy Board and the Homeland Security Advisory Council. Bush's Transportation Secretary, Norman Mineta, and Otto Reich, the former deputy Secretary of State for the Western Hemisphere, both once worked as Lockheed lobbyists.

But the revolving door swings both ways for Lockheed. On its corporate board reposes E.C. Aldridge, Jr. Before retiring from the Defense Department, Albridge served as the head of the Pentagon's weapon procurement program and signed contracts with Lockheed to build the F-22, the world's most expensive airplane.

When insiders don't get you everything you need, there's always political bribery. In the US, politicians who serve Lockheed's interests get annual dispensations of corporate swill courtesy of the company's mammoth political action committee. Each year Lockheed's corporate PAC doles out more than \$1 million, mainly to members of the crucial defense and appropriations committees.

Overseas, Lockheed has often resorted to a direct bribe of government officials. In the 1970s, Lockheed famously handed out \$12.5 million in bribes to Japanese officials (and organized crime figures) to secure the sale of 21 Tristar aircraft to Nippon Airlines. The ensuing scandal brought down Japanese Prime Minister Kakuei Tanaka, who was convicted of being on the receiving end of Lockheed's payola. Even though the imbroglio led the enactment of the Foreign Corrupt Practices Act in 1977 which set stiff penalties for bribery, Carl Kochian, Lockheed's CEO at the time, defended the practice of handing out covert cash inducements as a cost-effective way of securing billions in contracts for the company. Bribery was just a cost of doing big business.

And indeed the Corrupt Practices Act didn't deter Lockheed from handing out financial incentives to foreign officials to speed things along. In the 1990s, Lockheed admitted to stuffing the pockets of an Egyptian official with \$1.2 million dollars in order to grease the sale of Lockheed-made C-130 transport planes to the Egyptian military.

The clunky old C-130 Hercules continues to bring millions to Lockheed, which sells the cargo plane to Jordan, Egypt, and Israel. But the biggest profits continue to derive from sales to the Pentagon, even though the latest model of the transport has been plagued with operational problems and cost overruns. Of course, in the funhouse economics of defense contracts "cost over-runs" simply mean more millions of taxpayer money going into the accounts of the very defense contractors that performed the untimely or shoddy work in the first place.

Since 1999, the Air Force has purchased 50 of the new C-130J prop planes from Lockheed. But none of these planes have performed well enough to allow the Air Force to put them into service. An audit of the C-130 contract by the Inspector General of the Air Force revealed a host of problems with the new plane that had been gilded over by Lockheed and Pentagon weapons buyers.

One of the biggest problems with the plane is an ineptly designed propeller system that keeps the C-130 from being flown in bad weather. The C-130J is powered by six propellers covered in composite material that

becomes pitted or even dissolves under sleet, hail or even heavy rain. Ironically, many of the first batch of planes were delivered to an Air Force reserve unit in Biloxi, Mississippi, where they were supposed to function as "Hurricane Hunters," plying through thunderstorms and heavy winds in search of the eye of the storm. The planes proved useless for the task. As a result, most of the C-130Js have been use only for pilot training.

"The government fielded C-130J aircraft that cannot perform their intended mission, which forces the users to incur additional operations and maintenance costs to operate and maintain older C-130 mission-capable aircraft because the C-130J aircraft can be used only for training,"¹²⁴ the IG audit concluded.

Nevertheless, the Air Force paid Lockheed 99 percent of the contract price for the useless planes.

"This is yet another sad chapter in the history of bad Pentagon weapons systems acquisitions," said Eric Miller, a senior Defense Investigator at the Project of Government Oversight. "For years, the Air Force has known it was paying too much for an aircraft that doesn't do what it's supposed to. Yet it has turned a blind eye. The aircrews who have to fly these aircraft should be very angry. They've been betrayed by the very government that should be ensuring that the weapons they receive are safe and effective."¹²⁵

The profits from the C-130 are mere pittance compared to what Lockheed stands to make from its contracts to produce the two costliest airplanes ever envisioned: the Joint Strike Fighter and the F-22 Raptor.

The Joint Strike Fighter, also known as the F-35, is slated to replace the venerable F-16. Even though the initial designs for the F-35 proved faulty (there continue to be intractable problems with the weight of the plane), the Pentagon, under prodding from influential members of Congress, awarded the Lockheed a \$200 billion contract to build nearly 2,000 of the still unairworthy planes. Lockheed plans to sell another 2,500 planes at a sticker price of \$38 million apiece to other nations, starting with Great Britain. Once again, most of these sales will be underwritten by US government loans.

The F-35 contract was awarded on October 16, 2001. Already, costs have soared by \$45 billion over the initial estimate with no end in sight.

But the F-22 Raptor stands in a class of its own. With a unit price of more than \$300 million per plane, the Raptor is the most expensive fighter jet ever designed. One congressional staffer dubbed it, "Tiffany's own wings." Conceived in the 1980s to penetrate deep into the airspace of the Soviet Union, the F-22 has no function these days, except to keep a slate of defense contractors in business, from Lockheed, which runs the project, to Boeing which designed the wings, to Pratt-Whitney which designed the huge jet engines.

The F-22 was supposed to be operational a decade ago. But the latest incarnation of the plane continues to suffer severe problems in flight testing. Its onboard computer system is mired with glitches and its Stealth features haven't prevented the plane from popping up "like a fat strawberry" on radar. Even worse, several test pilots have gotten dizzy to the point of nearly passing out while trying to put the fighter through evasive maneuvers at high altitudes.

Even so, the doomed project moves forward, consuming millions every week, and no one with power to do so seems to show the slightest inclination to pull the plug.

*****Part II*****

By one account, Lockheed garners \$228 in federal tax money from every household in the US each year. But when it comes time to paying taxes Lockheed pleads poverty. By taking advantage of a bevy of designer loopholes, Lockheed's legion of accountants has reduced the corporation's annual tax bill to 7 percent of its net income. By comparison, the average federal tax rate for individuals in the US is around 25 percent.

Of course, these kinds of special dispensations don't come cheaply. Lockheed spends more money lobbying congress than any other defense contractor. In 2004, a banner year for the company, it spent nearly \$10 million on more than 100 lobbyists to prowl the halls of congress, keeping tabs on appropriations bills, oversight hearings and tax committees. Over the past five years, only Philip Morris and GE spent more money lobbying congress.

With Lockheed, it's sometimes difficult to discern whether it's taking advantage of US foreign policy or shaping it. Take the Iraq war. Lockheed's former vice-president, Bruce Jackson, headed an ad hoc group called the Committee for Liberation of Iraq. This coven of corporate executives, think tank gurus and retired generals includes such war-mongering luminaries as Richard Perle, Jeane Kirkpatrick, Gen. Wayne Downing and former CIA director James Woolsey. The Washington Post reported that group's goal was to "promote regional peace, political freedom and international security through replacement of the Saddam Hussein regime with a democratic government that respects the rights of the Iraqi people and ceases to threaten the community of nations."

This supposedly independent body seems to have gotten its marching orders from inside the Bush White House. Jackson and others met repeatedly with Karl Rove and Steven Hadley, Condoleezza Rice's number two at the National Security Council and a former Lockheed lobbyist. The group eventually got a face-to-face meeting with the dark lord himself, Dick Cheney. After meeting with White House functionaries, members of the Committee would fan out on cable news shows and talk radio to inflame the fever for war against Saddam.

Jackson has long enjoyed close ties to the Bush inner circle. In 2000, he chaired the Republican Party's platform committee on National Security and Foreign Policy and served as a top advisor to the Bush campaign. Naturally, the platform statement ended up reading like catalogue of Lockheed weapons systems. At the top of the list, the RNC platform pledged to revive and make operational the \$80 billion Missile Defense program supervised by Lockheed.

In 2002, the Bush administration called on Jackson to help drum up support in Eastern Europe for the war on Iraq. When Poland and Hungary came on board, Jackson actually drafted their letter supporting an invasion of Iraq. His company was swiftly rewarded for his efforts. In 2003, Poland purchased 50 of Lockheed's F-16 fighters for \$3.5 billion. The sale was underwritten by a \$3.8 billion loan from the Bush administration.

Lockheed also made out quite nicely from the Iraq war itself. It's F-117 Stealth fighters inaugurated the start of the war with the "Shock and Awe" bombing of Baghdad. Later, the Pentagon stepped up orders of Lockheed's PAC 3 Patriot missile. The missile batteries, designed for use against SCUD missiles that Iraq no longer possessed, sell for \$91 million per unit.

After the toppling of Saddam, Lockheed executives saw an opportunity to gobble up one of the big private contractors doing business in Iraq, Titan Corporation. The San Diego-based company was awarded a \$10 million contract to provide translators for the Pentagon in Iraq. Two of these translators, Adel Nakhl and John Israel, were later accused of being involved in the torture of Iraqi prisoners at Abu Ghraib prison. Titan translators, who are paid upwards of \$107,000 a year, were also implicated in a scandal at Guantanamo prison.

Like Lockheed, after 9/11 Titan jettisoned almost all of its commercial operations and began to focus entirely on government work. By 2003, 99 percent of its \$1.8 billion in corporate income came courtesy of government contracts. The firm also went on a buying spree of other smaller defense contractors. Since 2001, Titan gobbled up ten other defense-related companies. The most lucrative acquisition proved to be BMG, Inc., a Reston, Virginia based company that specializes in information collection and analysis for the Pentagon and the CIA. BMG alone held Pentagon contracts worth \$650 million.

The abuse scandals didn't deter Lockheed from pursuing Titan. Indeed, Christopher Kubasik, Lockheed's chief financial officer, told the *Los Angeles Times* that the torture allegations "were not significant to our strategic decision."

The merger was later delayed for other reasons by the Justice Department, which was looking into allegations that Titan executives and subsidiaries paid bribes to government officials in Africa, Asia and Europe in order to win contracts—a method of doing business that Lockheed executives must have admired.

Titan, which was formed amid the Reagan defense build up of the early 1980s, saw itself as a new kind of defense contractor, a weapons company that didn't make weapons. Instead of building missiles or planes, Titan concentrated on developing software and communication packages for Pentagon programs. Its first big contract was for the development of a communications package for the guidance system of a Minuteman missile. Since then Titan has become a major player in the lucrative information technology market.

In recent years, Lockheed has begun to aggressively pursue the same types of "soft defense" programs. In the past decade, Lockheed's Information Technology sales have increased by more than four hundred percent. The bonanza began during the Clinton administration, when Al Gore's "reinventing government" scheme auctioned off most of the data-management tasks of the federal government to the private sector. Now nearly 90 percent of the federal government's Information Technology has been privatized, most of it to Lockheed, which is not only the nation's top arms contractor but also its top data-management supplier.

This opened vast new terrains of the government to conquest by Lockheed. It now enjoys contracts with the Department of Health and Human Services, Department of Energy and EPA. Lockheed also just corralled a \$550 million contract to take over the Social Security Administration's database. The privatization of Social Security has already begun.

But even in the IT sector, the big bucks are to be made in the burgeoning surveillance and Homeland Security business. Lockheed now runs the FBI's archaic computer system, which took some much deserved heat for letting the 9/11 hijackers slip through its net without detection. It also won the \$90 million contract to manage the top secret computer network for the Department of Homeland Security, a system that is supposed to function as a kind of "deep web", linking the system of the FBI, CIA, and Pentagon.

All of this is a precursor to even bigger plans hatched by Lockheed and its pals in the Pentagon to develop an all-encompassing spying system called Global Information Grid, an internet system that is meant to feed real time tracking information on terrorist suspects directly into automated weapons systems, manufactured, naturally, by Lockheed.

"We want to know what's going on anytime, any place on the planet," pronounced Lorraine Martin, Lockheed's vice-president for Command, Control and Communications Systems. And eliminate them, naturally.

On the battlefield of defense contractors, Lockheed has now achieved full-spectrum dominance.

May, 2005

----- End of article by Jeffrey St. Clair -----

It needs to be stressed that Lockheed Martin is not an "evil" company. A selective process ensures that the people who rise to the top of such companies are very likely to see the world in a way that for the most part justifies their actions.

Bin Laden's embarrassing victory. Brought to you by American tribalism and economic ignorance

Having discussed how our Military-Industrial-Complex is destroying us from within, we can now understand how bin Laden is winning the war. Understanding the economics of the war is the key. Just a few disgruntled, overtly religious Muslims can spend a couple hundred dollars and cause the Military-Industrial-Complex to consume several million in wealth from the US economy. They are bleeding us into socioeconomic collapse, just like they did with the Russians. It could not be more obvious. Here is bin Laden himself giving it away:

"We, alongside the mujahedeen, bled Russia for 10 years until it went bankrupt and was forced to withdraw in defeat,"

"We are continuing this policy in bleeding America to the point of bankruptcy."

Allah willing, and nothing is too great for Allah,”

“All that we have to do is to send two mujahedeen to the furthest point east to raise a piece of cloth on which is written al Qaeda, in order to make generals race there to cause America to suffer human, economic and political losses without their achieving anything of note other than some benefits for their private corporations,”

“Every dollar of al Qaeda defeated a million dollars, by the permission of Allah, besides the loss of a huge number of jobs,”

“As for the economic deficit, it has reached record astronomical numbers estimated to total more than a trillion dollars.”

“And it all shows that the real loser is you,”...“It is the American people and their economy.”¹²⁶

Omar bin Laden, Osama’s fourth son, understands his father’s strategy. Referring to Russian strippers he was watching in a Damascus night club, Omar mentioned to Rolling Stone magazine that “They have to dance like this because their country is poor. It was my father who made Russia poor, in the war in Afghanistan. He ruined their economy. He is doing the same thing to America right now.”¹²⁷ Actually, it wasn’t Omar’s father who made Russia poor, Russia’s increasingly deteriorating economy was further damaged by its military as it diverted more and more wealth from the already miserable Russians to feed and clothe the hundreds of thousands involved in the occupation of Afghanistan. To my knowledge bin Laden never harmed a single Russian in Russian soil or took any of their property.

By Osama(thanks to the Russian government and military) bleeding the Russians and thus accelerating the inevitable collapse of their Socialist economy he actually helped millions of Russians and others trapped under such a system. Chances are that the Russian strippers Omar was referring to have much better lives thanks to the collapse of the Soviet Union which bin Laden helped bring about. They probably have their own cars, can easily afford a wide variety of foods, clothes and many other things which would not have been available to them in the former Soviet Union.

What an embarrassment to what remains of freedom and Capitalism in our nation. Some guy in a cave thousands of miles away has managed to let American tribalism help destroy us from within.

The importance of the Israeli/Palestinian conflict and the U.S.’s blind support of Israel needs to be stressed yet again. In a recent interview, Michael Scheuer, the former chief of the CIA’s Bin Laden Issue Station which tracked bin Laden, summarized the importance of Israel as follows¹²⁸:

Interviewer: ...Bin Laden is gone, who is Washington’s number one enemy now?

Scheuer: Washington’s enemy is an enemy that doesn't exist. We are fighting an Islamic enemy that Washington believes is out to kill us because we have elections, because we are free, because we have women in the workplace. It’s an enemy that does not exist. It didn’t exist when bin Laden was alive, it doesn’t exist now. America is being attacked because of its foreign policy in the Muslim world. Because of its support for Israel, because of its support for

the Saudi police state, because of its presence in the Arab Peninsula. And until we accept that, until Americans can say to each other, whether you support aid to Israel or not, our relationship with Israel is causing this war, we are not going to be able to defeat this enemy. And Israel itself as a country is not the problem. The real problem is the leaders of the Jewish-American community in the United States who influence and corrupt our congress to support Israel when we have no interest there.

Interviewer:... You imply that the Israeli lobby is dragging the United States into the wars?

Scheuer: Absolutely, they're absolutely dragging us in.

Mr. Scheuer wrote a book titled "Imperial Hubris" where he expands on the above statements. Bin Laden himself mentioned in a video that "if you would like to get to know some of the reasons for your losing of your war against us, then read the book of Michael Scheuer in this regard."¹²⁹

A coming mushroom cloud?

As time goes by and technology improves, some new technology will arise and make the manufacturing of powerful weapons a cheap reality to any disgruntled group of people. As I write this book, it is very hard and expensive to come up with a weapon that can create as much damage as a nuclear bomb. But what will happen when they become cheaper and easier to make? Are we going to have a government bureaucracy grow to the point where a large portion of the world's production goes to feed a network of spies who monitor the actions of every human being hoping to catch someone trying to assemble this new weapon? This is what our economically ignorant tribal nature calls for, and is occurring in the United States as the meteoric growth of the "intelligence" bureaucracy shows, and is a main motivating fear/factor for the Iraq/Afghan war. As President Bush said while trying to rally Americans into the inevitable path of the Iraq war: "*America must not ignore the threat gathering against us. Facing clear evidence of peril, we cannot wait for the final proof - the smoking gun - that could come in the form of a **mushroom cloud**.*" But even this bureaucracy, for reasons already mentioned, will lack the knowledge and incentives with which to be truly effective and simply lead to socioeconomic hardship and foreign policy blunders as has been the case, and therefore create even more reasons for some disgruntled group to do a lot of damage.

The simple truth is that only if every human being grows up in an environment where he can easily understand how peace and prosperity really work, will the incentives to cause such damage not become a part of his calculating mind. We should strive to make as many people in the world understand how freedom works. Before discussing how to go about preventing such terrorist attack without creating a bigger evil via a prosperity-destroying-police-state bureaucracy that will be useless anyways, let us discuss the worst possible scenario.

What if a major terrorist attack like a nuclear bomb did happen? Without an understanding of the market process, our own governments are going to do far more damage than the terrorists. As previously mentioned, in our modern worlds, we do not owe our lives and well-being to hard work, to the good intentions of leaders, to pretty much anything that is an individual

trait. We owe our existence to the workings of the market process, to individual freedom. To destroy the market process, or hamper it greatly, is to destroy the social order that gives us life. The hardest working, honest, intelligent person in a communist created famine in China or Russia would have died regardless of such traits, while a lazy, and perhaps “immoral” American saw his living standard rise. So again, it is to the market process, to individual freedom that we owe everything. So let us imagine that a “mushroom cloud” does occur in a major US city and kills 500,000 people and injures another 500,000. As horrible as this might be, 1 million people is 0.33% of the American population and a tiny fraction of the entire global economy. Thanks to free trade, we are not an American human ant-farm, we are a global human ant-farm. The more free-trade we have, the more integrated the social order will be in a way that the effects of disasters like this will have a smaller impact. It will obviously be a tremendous calamity for those who died, the injured, their families and the emotions of billions. But if the market process is allowed to function, in other words, if the millions of free individuals are allowed to do the best they can with their humanity and good will, their billions of calculations and subsequent actions will help those in need better than a centrally planned bureaucracy ever will, and the effect on the rest of the economy will be much smaller as well. We cannot eradicate all ill intent, the world is not perfect, all we can do is the best we can, and that best comes from the market-process-coordinated private sector. We saw the horrendous failure of FEMA’s handling of Katrina which is still in chaos. The failure here would be even greater. The government will once again want to execute some great master plan, its tentacles will want to control and see everything to better handle the crisis and prevent future ones, “which are now sure to happen” and “no price will be too high” to prevent such a thing of course, according to those who will be in power. And obviously anyone who refuses to go along with the countless new laws, regulations, and taxes will be seen as an “enemy of the people”, “someone who does not understand the gravity of the situation and simply cannot be allowed to prevent the master plan from working and we will have no choice but to make the tough decision of locking him up” will be the thinking. More power and resources will be taken away from the social supercomputer(the private sector) and put in the hands of militant bureaucrats and police chiefs. All of this will continue to prevent our already devastated private sector from continuing its complex cycle of production and take us further into socioeconomic collapse. And I will not even discuss our social and racial problems. As long as the economic pie is big enough, racial problems can be swept under the rug by political correctness/religion/tolerance/etc., but someday, when things get bad enough, we might have the kinds of riots that are frequently burning cars in “civilized” places like Paris, France¹³⁰ and more recently London.

So as bad as it might be in a human toll, it would still only be one third of a percent of the US social order, and unless the government paralyzes the market process in its attempts to control everything, for the most part life will go on as usual. Ok, definitely not as usual, but a whole lot better than how it would go if economically ignorant, tribal-minded ideologues tried to manage the situation. The last time something really bad happened to the US, in 9/11, our elected ideologues invaded and destroyed a country that had absolutely nothing to do with the attack, and fully knowing it ahead of time¹³¹. And one should always keep in mind that which is not seen: the economic damage that

our own military consumption is doing to us.

Our maladapted nature when it comes to our modern world and the terrorist fear is especially visible when one considers the probability of being affected by a terrorist attack. A terrorist attack killing 100 people each day in the U.S. would still kill far fewer people than our socialized highway system where about 114 died per day in 1999¹³². Yet for such a small probability the entire American economy and millions of people all over the world are harmed by our government's economic ignorance and naïve good vs. evil militarism.

So unfortunately the reaction by our very own government would end up leading to more destruction and chaos. And this is assuming the worst case scenario of a nuclear blast. Just a few smaller terrorist attacks that injure a couple people here and there in a few cities simultaneously, and some leaked fake news about some bio-terrorist attack can have a similar effect. People that want to harm America have little need to kill that many people in order to achieve their goals. You just have to play your fear cards right, and human nature, via the US government, will destroy America for you.

Government monopolies cannot protect us

Given that we intuitively think that some visible entity has to keep us safe, we inevitably believe that the government has to do it, and that we have to give up our freedoms for it to be able to do so. If the government is going to solve the problem, then it must be able to move the “different pieces upon a chess-board” and we have to give up our freedom for it to do so. But what we don't realize is that we have over 300 million sets of eyes and brains, whose freedom to protect themselves is far more powerful than a central bureaucracy. If airlines would have had the freedom to manage how they want to protect themselves there would have been the usual competitive process to discover the best ways of achieving security and 9/11 would not have happened. But since the government regulates airline safety, we just get countless baggage screeners searching through the bags of old, harmless ladies, taking our liquids away, paying exorbitant amounts of money for screening equipment from politically connected companies. And with all of this, airline security is virtually inexistent. For example, in a recent test of security at Newark Liberty International Airport, undercover agents “were able to smuggle through an array of fake bombs and guns in 20 of 22 tests at checkpoints through the hub's three terminals”¹³³. The TSA also makes the pilots themselves go through unnecessary security screenings. How stupid is that? If pilots wanted to crash the planes they would not have to carry anything dangerous into the airplane and could just fly them into the ground. One time I was on an airplane, I remember the plane taxiing after landing and it went over a bridge where there was free-flowing traffic just a few feet underneath. I remember thinking just how easy it would have been for a disgruntled person to just drive by and throw a grenade from their passing car or pickup truck.

Safety, like any other good or service requires figuring out the best way to provide it, and since it is knowledge we are after, only freedom and competition can best discover it in our modern world. If safety is a concern, this would reflect itself accordingly in the willingness of airline passengers to trade their money for safer airlines. A market for airline safety would naturally

arise and be shaped by the market process as competition discovered and spread the best ways of providing such safety. But since the government completely took over the airline safety market, it turned it into a monopoly, where the knowledge would come from a single inevitably inefficient bureaucracy, leading to the obvious results of high prices for utterly useless labor, more comfy pensions, jobs people never lose, long lines, pomposity by those who think they are the heroes who protect us, outrageously expensive/overpriced equipment made by politically connected companies¹, etc.; and little in terms of safety in return. Simply allowing the pilots to carry firearms would have gone a long way in preventing 9/11. If the government monopolizes some service, i.e. 'airline safety'/'roads and highways', or regulates the private sector as in the case of the healthcare sector, it just destroys the market process' competitive knowledge discovery process that creates the best solutions, ultimately leading to ever growing consumptive bureaucracies. We just see the government as being the big bad ape that has all the resources and feel like that is all that is needed to fix problems. This might have worked in a tribal past where pretty much everything came down to force and numbers, but it won't work today. It should also be noted that when the bureaucracies inevitably fail, we just think they need even more resources and more regulation, continuing our "road to serfdom" and the inevitable socioeconomic collapse.

We hardly even need a military at all. Where does one get the millions of people, armaments and means to cross either the Pacific or Atlantic oceans to occupy the US? Where are the people who could possibly hate average Americans so much (if we don't run their lives that is)? Immediately after the events of September 11, hundreds of thousands of Iranians filled the streets of Tehran and held candlelit vigils in solidarity with the victims and the US, 60 thousand people held a minute of silence at the football stadium. If these are the people who support the 'Axis of Evil' it should be obvious that we have little to fear, except the natural reaction to our bellicose ideologues, which again is a reflection of our own ignorance and tribalism. Wouldn't any country attempting to occupy the U.S. be bankrupted by even attempting to do such a thing? The U.S. is going bankrupt just trying to pacify some poor Iraqis and poorer Afghans. How much harder and costlier would it be to even attempt to occupy the United States? Just like Iraqis and Afghans find it easy to morally inspire people to join them in their fight against the occupiers, how easy would it be for a peaceful US to similarly motivate people all over the world to help us repel whoever might want to harm us? Buy saving trillions of dollars we would be so much richer and technologically advanced, the moment a serious threat arose we would quickly be able to buy/trade for more modern and truly effective means of defense.

The fallacy of needing to "protect our interests" overseas and police the world. Non-interventionism.

In our tribal world, the social order was not built on trade, you either got possession of the banana tree, or you didn't. If the person who got to the

¹ Michael Chertoff was head of the department of Homeland Security while he ordered the TSA's full body scanners from a company that was one of his clients. See http://en.wikipedia.org/wiki/Michael_Chertoff#Body_Scanners_and_Conflict_of_Interest

banana tree was in your tribe, great, he had to share. If he was from another tribe, you fought over it. But this is not how the modern market-process coordinated world works. In the modern world we have social orders that ultimately work in a way that transforms a virtually limitless amount of matter into new wealth, we do not live in a zero-sum world where there is a fixed amount of wealth and we need to acquire anything by force. All you have to do is be productive, and use that which you produce to trade for everything else you want. In our complex societies we don't do this in an obvious way by each person producing a physical good. For most of us what we produce is our labor which is then combined in complex ways to ultimately create the physical goods and services we consume.

Let's take for example oil which is one of the main reasons why the United States occupies the Middle East to protect its "interests" in the region. Let's assume the worst possible scenario. We leave the Middle East and chaos ensues, the oil stops flowing, and the price goes to \$300 per barrel. This high price creates an incentive so strong for a social order to emerge and exploit the high profits that it will inevitably emerge. We would not want it to be some cruel dictatorship, but eventually, the incentives created by such a high price in the millions of people who live in that region will grow a stable social order built on the right mixture of alliances/intimidation/whatever, to ultimately exploit such a high price by getting the oil flowing once again. One has to understand that given the cultural values and histories of conflict and so much more, perhaps some form of dictatorship is the superior way to bring about a stable social order in some places.

The possibility of making high profits is all that is needed to lure brains and create social order around it. No visible entity has to be the one that creates the social order.

Let us now assume that the "evil" Iranians or Russians or Chinese go in there and fill the power vacuum so the U.S. no longer controls the area. So what? What are the Iranians, Russians, or Chinese going to do with the oil? They are going to trade it with us just like the Arabs used to do. What difference does it make to an American whether the money he pays for gas goes to sustain the Arab gene pool or the Chinese one or that of a fellow American? Only our tribal instincts and zero-sum mentality get in the way of allowing this to happen. We tend to see "Americans", "Chinese", "Russians" as if we were tribes fighting to control an essential life-sustaining banana tree which we won't share because we are from different tribes, or better yet, a resource which we will purposely hoard to ensure the others starve and once they die there will be less competition for the other remaining banana trees.

The monopolization of resources was a key survival strategy in our evolution, and is probably one of the reasons why we might have a propensity to dislike the concept of private property. This idea that something belongs exclusively to someone else, especially if it is something our lives might someday depend on or give them a great advantage, is something that we might instinctively rebel against and helps further explain our share-the-wealth/communist tendencies.

As long as the United States has a free economy at home, the market process will make it a very productive and technologically advanced social order with little to fear from anyone. Even in the ridiculous case that one of

our so called potential enemies controls the oil. Would they prevent other countries from reselling the oil they get to us? A worldwide black market devoted to selling oil to the U.S. would emerge **even in this ridiculous scenario**. The stupid drug war is a perfect example of this, governments all over the world go to great pains to prevent the drug trade but it is IMPOSSIBLE. Moreover, chances are that the trillions we would save in military spending would more than offset whatever higher prices might come about due to this arrangement. So again, as long as the U.S. economy is productive, the goods and services that it produces will lure whoever has oil or whatever resource we could possibly want. And when it comes to energy, another heavily regulated sector of the economy, the moment we get rid of the regulations and the market process is free to do its thing, it will inevitably discover superior knowledge, eventually driving down the cost of all competing alternatives to oil. The riches that allow unproductive and oppressive “cultural books” to survive in the Middle East, will dry up, and help bring about the kind of social change that can compete, which will mean more freedom and more equal treatment of human beings.

The key to our foreign policy is to have the freest and most productive economy at home. All the wealth we create is everything we need in order to lure the rest of the world into giving us whatever we want by trade. We do not have to fear the rest of the world being overtaken by some “evil” power. Countries that try to use force to spread their empires are not free economies so they collapse from within as was the case with the former Soviet Union and is unfortunately happening to us.

Ron Paul’s desire to bring all the troops home from all over the world is something that scares most who hear this message, but this fear is also rooted in our tribal nature and completely ignores economic reality. Based on our tribal understanding of the world, we think the big ape has the moral responsibility of protecting the others, but this is not how things work in the modern world. Freedom greatly helps eradicate the reasons for violence as well as the possibility of it happening. Here is what I mean. On Dec. 23rd 2007 Dr. Paul was asked by Tim Russert if his desire to bring the troops home from all over the world included bringing all troops from South Korea. He asked this to Dr. Paul as if implying that removing the troops would be like leaving a helpless child to fight an invading hoard of savages. This tribal, economically ignorant view could not be further from the truth. The minute the US is serious about removing its 30,000 troops and billions worth of military equipment from South Korea, South Korea can take just a tiny fraction of its 1 trillion dollar GDP and arm itself to the teeth. It could just buy the military base from the US, or as the US leaves, it can buy the same armament from US arms manufacturers, or just buy them from the countless other countries that already have the latest and greatest US military stuff. North Korea has a GDP of only 40 billion dollars. It has nothing to offer the rest of the world to trade for the necessary military technology needed to attack anyone, or the food with which to feed its army in a battle for longer than probably a week. And the food that currently helps it avoid mass starvation comes from aid by China and South Korea itself. It basically has a large number of badly nourished bodies and old weapons, with little in the way of replacement parts and other means with which to launch any kind of serious threat compared to what South Korea can do. The same applies to Japan, Germany and the other rich nations where the hapless US taxpayer is raped by our big-protector-ape-

ideology and the ambitions of the Military Industrial Complex. As we have already discussed, during WWI Germany almost single-handedly defeated England, Russia, and France, and then in WWII almost did it again. Germany and Europe does not need a US military presence. So again, Japan, South Korea, Germany, France, and everyone else, even in the case where they might not make the weapons themselves it does not mean that they can't defend themselves. THEY JUST TRADE FOR WHAT THEY NEED. And this is the piece that just does not occur to the economically ignorant mind and 99% of the mainstream media and our politicians. They are still living in a tribal world. Free nations can produce more, and therefore they can trade more for the necessary technology to keep themselves safe from aggressors. So not only do free nations provide more incentives for peace, they can defend themselves better when they need to.

But all of this militarism is unneeded. The Internet, coupled with the proper understanding of the socioeconomic world, as especially provided by people like Mises and Hayek and the so called "Austrian School of Economics", is a new lemon in our ideologies/"cultural books" which should continue to spread quickly and help overcome our old tribal order. Instead of people worrying about international conflicts we should just be looking for the most creative ways of spreading this knowledge as quickly as possible.

So how do we deal with national security and the potential terrorist attack from so called radical Muslims?

The most important thing is the proper understanding of the socioeconomic world by as many people as possible right here in the US, which is something that will quickly export itself to the rest of the world. But some concrete steps are doing what Dr. Paul wants to do. Bring the troops home to help avert the economic crisis and related turmoil.

When people think about the United States, they think about that entity that represents the United States, the US government and its president and powerful ideologues. On the other hand, what comes to mind when people think about Europe? They are less likely to see it as a single entity with a single sort of "social character" to be either hated or loved. It is a collection of individual countries that has yet to be personified by a single entity. It is getting there though, as it goes through our tribal centralization of decision-making power via the European Union's legislative body, much like our own United "States" did in the past. In reality, there is no such thing as countries, only individuals. Our countries and notional borders are vestiges of our tribal mindset. I'm not saying that we should just abolish all national borders overnight, but as the proper understanding of how the world works spreads, this is what will eventually occur, and to the great benefit of mankind. The angry Muslims hate the United States much more than they hate Jane who lives in Wichita. The more we do as Dr. Paul says, and dismantle our useless federal bureaucracies, the more the US will be seen as a land of free individuals who don't bother anyone. This will greatly reduce the probability that a mind can get worked up enough to want to harm us. One needs to keep in mind that terrorist attacks are not just carried out by one person, many people have to be convinced and supported by many other people to commit such acts. The more peaceful as a nation we become the less of the supporting people will exist, making it even harder for the smaller number of so called extremists. We are not fighting extremists, we are fighting sequences of thoughts that

enter people's minds that lead to extreme behavior, so again, the less we bother, the more prosperous our economy becomes, the more the ideas of freedom and tolerance will spread and overtake the poverty and fear that lead to more extreme ideology. This in no way means giving up our defense needs: we just need to focus them here and with more common sense.

Leaving Iraq/Afghanistan/Pakistan, bringing the troops home from all over the world, and transitioning them into private sector jobs would be the quickest way to begin to steer away from our socioeconomic decline. Instead of consuming 1,000 billion to ineffectively police the world, we can spend 100 billion, still have by far the most powerful and technologically advanced armed forces in the world, and increase the economic pie by the hundreds of billions of dollars worth of wealth that would now be created by the additional private sector labor force. So who are our enemies anyways? Besides a few religious fanatics who have good reasons to hate us, who unlike our American religious fanatics have little influence and means with which to cause much damage, who remains? The Chinese and the Russians? These are just governments, who like our very own, are a maladapted and mostly unneeded social growth. Thanks to the Internet, young people everywhere are absorbing a more common and much more tolerant culture. If we could just prevent our stupid governments from continuing to screw things up. But again, it is not really our governments' faults, they are simply the embodiment of our maladapted tribalism.

You will often hear people criticize Dr. Paul's views on bringing all troops home as being 'Isolationist', but what unites America with the world more, placing military bases all over the world thus encouraging other nations to also build up their military, or removing them and dropping all trade barriers and make it easy for people from all over the world to visit the U.S. and do business with the U.S.? Clearly the peaceful and free-trade path is the very opposite of 'Isolationist'.

After the cold war, compared to the United States, the world was still licking its wounds from the communist nightmare. But now China, Russia, India, and much of the rest of the world has been growing, and the perceived zero-sumness of the world is increasing, especially as it pertains to oil and the environment. We are already in the midst of a socioeconomic decline. It has not happened fast enough for us to clearly see it in terms of a drastic collapse of the stock markets, or hyperinflation, or a very high jump in interest rates. It has been happening slower than this but happening nonetheless and with a good chance of a truly visible crisis happening in the near future. That saying about the frog being boiled alive without jumping from the pan suits humanity perfectly. Just like the frog has not evolved to sense slow changes in temperature, we have not evolved to understand slow changes towards Socialism and socioeconomic disasters. Ultimately Dr. Paul is correct. We will destroy ourselves from within via our destruction of the economy.

Exporting socialism to Afghanistan and Iraq

The most important reason to stop our ideologues' stupid exportation of democracy is the fact that it is not democracy that brings prosperity, it is Capitalism/free-market, which is something none of our ruling ideologues understands! If our bureaucrats in Washington DC do not

understand freedom and the market process, how in the world are we going to expect them to export economic prosperity when they are the ones that are destroying economic prosperity right here at home!? They openly talk about their centrally planned share-the-wealth ideas like sharing Iraq's oil wealth, and having the government provide jobs for the people which would inadvertently bring about Socialism. The Iraqi government, probably learning from American and European economies or their pressures, feeds its own useless bureaucracy via the printing press creating 50%+ inflation rates, leading to more social hardship and incentives for radical ideology to spread.

The same can be said about Afghanistan. The economies we support like current president Hamid Karzai attempt to implement economic policies that damage their economies. In July of 2009 he **doubled the minimum wage and made it twice as high for government employees than private sector ones**, yet the Human Rights Report for 2009 put out by the US State Department complains that even with this minimum wage hike "in practice wages were not protected. The minimum wage did not provide a decent standard of living for a worker and family." In other words, American economies/Socialists are criticizing the Afghan economies because they have failed in implementing policies which are bound to harm their economy. More from the report:

... "The law provides workers the right to receive wages, annual vacation time in addition to national holidays...overtime pay, health insurance for the employee and immediate family members, per diem for official trips, daily transportation, food allowances, night shift differentials, retirement rights... These standards were not effectively enforced, and citizens generally were not aware of the full extent of their labor rights under the law."¹³⁴

Of course "These standards were not effectively enforced", this is precisely what you want!!! It would not be profitable/possible to hire so many of the poor/unskilled people if employers were forced by law to provide so many benefits.

Let us dissect a little more of this report. It mentions that:

"In July the 2008 labor code went into effect, setting the minimum age for employment at 18 years but permitting children 15 years and older to do "light work." Children between ages 16 and 18 may work only 35 hours per week. Children 14 years and older may work as apprentices. Children younger than 13 were prohibited from work under any circumstances, although this law was not observed in practice. There was no evidence that authorities in any part of the country enforced child labor laws.

Child labor remained a pervasive problem. According to UNICEF estimates, at least 30 percent of primary school-age children undertook some form of work and there were more than one million child laborers younger than 14. The AIHRC reported that 43 percent of child laborers were younger than 12 and 35 percent were between 12 and 15. Many child laborers worked as domestic servants, street vendors, peddlers, or shopkeepers. Children worked in the worst forms of child labor in several sectors, including carpet weaving, brick making, and poppy harvesting. Children were also heavily employed in agriculture, mining (especially family-owned gem mines), and organized begging rings. Some sectors of child labor exposed children to land mines. According to the AIHRC, 85 percent of child laborers were boys, but this

figure did not include the uncounted number of girls who perform domestic work in their homes. Many families stated that they needed the income their children provided, but many reportedly also believed that work was useful for children. MOISA and the Aschiana Foundation reported approximately 60,000 child laborers in Kabul alone, the majority of whom migrated to the city from other provinces.”¹³⁵

So “Child labor remained a pervasive problem.” No, **child labor in Afghanistan is a blessing!!!**; it is a sign that there is enough freedom for Afghans to act in ways which would prevent more misery. Banning employment for what must be close to a million child laborers (those under 13) would deprive these already dirt poor people from the additional wealth the children bring home. The “families stated that they needed the income their children provided”, again, for such poor people this additional income is often times the difference between a full stomach, a hungry one, malnutrition, or death. Next, this must be shocking: “many[families] reportedly also believed that work was useful for children” Oh my God!!!! Work actually being useful for children!!! This is an abomination! Don’t these backwards people know that it would be better if their children volunteered without pay to sell candy and other things in school to raise money so that more money is left over for the cushy pensions of overpriced government unionized teachers so they can add more adipose tissue to their rear ends?

Fortunately, and surely to the dislike of the U.S. State Department, “There was no evidence that authorities in any part of the country enforced child labor laws.” The acceptance of child labor in Afghani culture is yet another example of how tradition often times contains far more knowledge and wisdom than the “rational” mindset which we try to impose with laws and government force.

I am sure that there are many more ‘socialist minded’/‘economically damaging’ laws but whatever, bottom line, if we went to war to force people to learn about the market process and how freedom really worked maybe I’d be ok with our invasions and attempts at social engineering, but since this is not the case, we should be against them. Actually, no, I would still not want to invade even if it was for such a great idea. There would be no need for it.

Ohh wait a minute, what about Iraq? What kind of wonderful economic system are we imposing on the Iraqis? The “Iraqi Constitution” which now replaces Saddam’s dictatorship has things like¹³⁶:

“The State shall guarantee to the individual and the family – especially children and women – social and health security, the basic requirements for living a free and decent life, and shall secure for them suitable income and appropriate housing.

The State shall guarantee social and health security to Iraqis in cases of old age, sickness, employment disability, homelessness, orphanhood, or unemployment, shall work to protect them from ignorance, fear and poverty, and shall provide them housing and special programs of care and rehabilitation, and this shall be regulated by law.

Every citizen has the right to health care. The State shall maintain public health and provide the means of prevention and treatment by building different types

of hospitals and health institutions.

Free education in all its stages is a right for all Iraqis.”

As lewrockwell.com columnist Laurence Vance writes:

“This is the constitution created by the United States—created and funded Coalition Provisional Authority (CPA), not Al-Qaeda, Islamic extremists, militants, terrorists, insurgents, the Muslim Brotherhood, or Islamofascists. The administrator of the CPA reported directly to the U.S. secretary of defense—not to Osama bin Laden, a Muslim cleric or imam, or the Supreme Leader of Iran.”¹³⁷

So even if all the “bad people” who hate the U.S. for whatever reason are killed and our bureaucrats have their way, we will be exporting the same Keynesian-central-bank-managed-socialist system that is now crumbling in the U.S. and Europe.

Governmental foreign aid does not help

Take your average poor African country, say Zambia. Why is it poor? Because its people are not ordered in a way that produces enough wealth to *trade* for all the things that we associate with the good life like affordable cars, medicines, etc. The only way Zambia can be wealthy is if it figures out a way to give its 13 million people a highly efficient and productive order. An order that produces enough desirable wealth so that the rest of the world is willing to trade cars, medicines, planes, etc. for it. How do they do this?

First of all, central planning does not work. If the foreign aid money is spent by the governments in an attempt to order their people in a cycle that produces more than it consumes they will inevitably fail. It might work for a while as they trade the loaned funds for wealth with the rest of the world, but given the inevitable inefficiencies in central planning, their socially planned order will become another unproductive social cancer. Only the businessmen, both domestic to *Zambia and potential foreign investors*, who are already running profitable businesses know how to incorporate more labor in pie-increasing/profitable ways. The key to building a prosperous social order for the poorer countries is to let foreign investors hire them and invest in their countries directly, or make it easy for native entrepreneurs to do business and get loans from the outside.

Poor African nations, the European and American intellectuals ultimately export their socialist well-intentioned ideas to Africa and keep it screwed up. Then many people quite naturally think that the reason that Africa is always stuck in a shit-hole is because Africans must be biologically inferior in some way. Nothing could be farther from the truth. If one could suddenly place the proper understanding of economics in the mind of every African inhabitant, I have little doubt in my mind that within a couple of generations Africa would be the economic and intellectual powerhouse of the world. That is, assuming that the rest of the world continues in its semi-socialist big government boom-bust/“evil”-seeking-tribalism, because obviously the modern Western world has a huge lead.

Some African leaders get educated in European universities. This naturally makes them “smart” and therefore the most suitable central planners. They inevitably fail of course. Since governments exert so much power and control in Africa, people have no choice but to riot if their buddy is not in power. If government only takes about 2-5% of your wealth and its regulatory tentacles do not interfere with you, there is little need to be too concerned with politics. But the more it takes and controls, the more people inevitably have to fight over how the wealth is distributed and who the regulations will hurt or benefit.

Whatever the government does and the law are ultimately two sides of the same coin. In order for the government to do something new, it has to alter the law, i.e., mandate a new tax, a new regulation, etc. In a free society, the law protects the freedom of the individual and is less likely to change, it does this by mostly enforcing our two fundamental laws. Once you feel like big government has to solve problems, the law goes from protecting the freedom of the individual, to forcing the human ants down whatever the solution to some “social problem” the elected ideologues want to implement. Since we know that such top-down solutions just create more problems, this mentality inevitably ushers in an uncontrollable torrent of laws and regulations, sort of like a dog chasing after its own tail. Referring to 19th century America and its proper legal sphere at the time, Frederic Bastiat mentions:

“There is no country in the world where the law is kept more within its proper domain: the protection of every person's liberty and property. As a consequence of this, there appears to be no country in the world where the social order rests on a firmer foundation.”

When large multinational companies employ people in poor nations they are using their superior knowledge and tools to give a productive order to the poorer nation's social orders, but since they are making a profit and not sharing it equally, many people and the local governments, fueled by our egalitarian instincts see it as exploitation, make it unprofitable for businesses so they leave (or never come in the first place), and the poorer nations remain without that which they need most, profitable knowledge and tools with which to give their human ant-farms a productive and self-sustaining order.

As already discussed in the economics chapter, allowing people from poor countries to easily travel and work and move to richer ones is the best way to increase global productivity and progress. People who move from poor/unproductive countries to rich/productive ones send money/wealth back home in a much more efficient and effective way than government to government wealth transfers. This also greatly helps promote friendship and commerce among nations/populations.

¹ ALBERT J. BEVERIDGE, Congressional Record January 9, 1900

² http://www.zenker.se/History/July_1/europe_1914_map.gif

³ See http://en.wikipedia.org/wiki/July_Crisis for an in-depth look at the days leading to war.

⁴ Dr. Joseph Salerno's lecture titled “War and Inflation: The Monetary Process and

Implications?" available at <http://www.mises.org/multimedia/mp3/misescircle-ny06/Salerno.mp3>, beginning seconds.

⁵ Originally saw this in (Powell, 2005) which mentions as source "Ferdinand Grenard, *The Russian Revolution(1933)*, quoted in Kerensky, *Russia and History's Turning Point*, 386"

⁶ Taken from (Buchanan, p. 81) which refers to: Mee, Charles L., Jr. *The End of Order: Versailles 1919*. New York: E.P. Dutton, 1980.

⁷ The excerpt below is from the beginning of a speech given by Hitler on April 12th 1922. Here Hitler correctly predicts the French occupation of the Ruhr and one can see how this sort of speech inevitably made him hugely popular with the German public.

"...Frederick the Great after the Seven Years War had, as the result of superhuman efforts, left Prussia without a penny of debt: at the end of the World War Germany was burdened with her own debt of some 7 or 8 milliards of marks and beyond that was faced with the debts of 'the rest of the world' - the so-called 'reparations.' The product of Germany's work thus belonged not to the nation, but to her foreign creditors: 'it was carried endlessly in trains for territories beyond our frontiers.' Every worker had to support another worker, the product of whose labor was commandeered by the foreigner. 'The German people after twenty-five or thirty years, in consequence of the fact that it will never be able to pay all that is demanded of it, will have so gigantic a sum still owing that practically it will be forced to produce more than it does today.' What will the end be? and the answer to that question is 'Pledging of our land, enslavement of our labor-strength. Therefore, in the economic sphere, November 1918 was in truth no achievement, but it was the beginning of our collapse.' And in the political sphere we lost first our military prerogatives, and with that loss went the real sovereignty of our State, and then our financial independence, for there remained always the Reparations Commission so that 'practically we have no longer a politically independent German Reich, we are already a colony of the outside world....One of these days France will say: You cannot meet your obligations, you must work more. So this achievement of the Revolution is put in question first of all by the Revolution."

⁸ Black, Edwin "Eugenics and the Nazis – the California connection" Sunday, November 9th, 2003 <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2003/11/09/ING9C2QSKB1.D1I&ao=4>

⁹ JAMA article titled "Interpretation of the Sterilization Law" Jan 8, 1934 available here <http://jama.ama-assn.org/content/102/8/630.2.full.pdf>

¹⁰ Historian Paul Johnson writes referring to the early 1900s :

"One-third of the Paris bankers were Jews, and it was a favourite assertion on the left that Jews controlled government finance whoever was in power. 'Their long association with banking and commerce', said Jean Jaures, 'has made them peculiarly adept in ways of capitalist criminality.'" (Johnson, 1988, p. 458)

¹¹ The mixture of economic ignorance and Jewish influence, which on a naïve and superficial level made enough sense to lure many Germans, can be seen in Hitler's speeches like this excerpt shows from a speech given in Munich on July 28th, 1922:

"The vast process of the industrialization of the peoples meant the confluence of great masses of workmen in the towns. Thus great hordes of people arose, and these, more's the pity, were not properly dealt with by those whose moral duty it was to concern themselves for their welfare. Parallel with this was a gradual 'moneyfication' of the whole of the nation's labor-strength. 'Share-capital' was in the ascendant, and thus bit by bit the Stock Exchange came to control the whole national economy. The directors of these institutions were, and are without exception, Jews. I say 'without exception,' for the few non-Jews who had a share in them are in the last resort nothing but screens, shop-window Christians, whom one needs in order, for the sake of the masses, to keep up the appearance that these institutions were after all founded as a natural outcome of the needs and the economic life of all peoples alike, and were not, as was the fact, institutions which correspond only with the

essential characteristics of the Jewish people and are the outcome of those characteristics.”

One can only speculate as to what exactly Hitler meant with each of these sentences, but parts like “were not properly dealt with by those whose moral duty it was to concern themselves for their welfare” seems to imply the usual whining of the public/politicians about how we need some sort of government provided safety-net as the social order gets more complex. The statement “‘Share-capital’ was in the ascendant, and thus bit by bit the Stock Exchange came to control the whole national economy” would be true and increasingly so as the benefits of stock exchanges increased economic productivity. Unfortunately as the rest of the excerpt seems to imply, Hitler did not see stock markets as “as a natural outcome of the needs and the economic life of all peoples alike” and associated them with some Jewish tool to benefit themselves at the expense of others. How much of this sort of talk Hitler himself really believed I don’t know but many Germans obviously bought into it.

¹² MacDonald, Kevin “Indoctrination and Group Evolutionary Strategies” <http://www.csulb.edu/~kmacd/MUNICH1.PDF> pages 10-12

¹³ Churchill, Winston “Zionism versus Bolshevism: A Struggle for the Soul of the Jewish People” article published on *Illustrated Sunday Herald*, February 8, 1920, page 5.

¹⁴ Rothbard, Murray N. essay titled “Life in the Old Right” first published on magazine “Chronicles”, August 1994. Also available here <http://www.lewrockwell.com/rothbard/rothbard45.html>

¹⁵ Italics appear in original. I found this quote on (Slezkine, p. 181) where he refers to “V.V. Shul’gin , “*Chto nam v nikh ne nraivisia...*” *Ob Antisemitizme v Rossii*(Moscow: Khors, 1992), 34-35(italics in the original)”

¹⁶ Saw this in (MacMillan, p. 415) which refers to Sanders, R. *The High Walls of Jerusalem: A History of the Balfour Declaration and the Birth of the British Mandate for Palestine*. New York, 1983, page 518

¹⁷ Why should the Jews not be allowed sovereignty over the land that they buy from the Palestinians, or invite more Jews to live in these lands? They did acquire the land by purchase and not theft, right? As it stands today, can a person from one country buy land in another country and thus have a “right” to live in that country, or bring foreigners to live in his/her property? No. An Egyptian, or Spaniard, or German cannot just buy a piece of land in the US and then legally come live here, if they attempt to do so American authorities would meet these people with force, and should they resist with potentially deadly force, they will certainly get killed. This occurs because there are immigration laws that have inadvertently evolved to segregate people more or less based on racial and cultural preferences. This does not mean I endorse immigration laws, more on immigration later.

¹⁸ Edward Said (1992). *Question of Palestine*. Vintage Books Edition. p. 16. ISBN 978-0-679-73988-3

¹⁹ See (Morris, 1999, p.43,46,47)

²⁰ I found this story in a blog entry by Prof Shlomo Maital here <http://timnovate.wordpress.com/2009/06/03/trial-and-error/>

²¹ Gilbert, Martin. “Churchill and the Jews” page 237. Here martin refers to “Undated letter, shown to Churchill on 2 May 1945; Premier papers, 4/52/2”

²² On July 26th, four days after the Mandate was approved by the League of Nations, Chaim Weizmann wrote to Churchill thanking him for his efforts: “To you personally, as well as to those who have been associated with the Colonial Office, we tender our most grateful thanks. Zionists throughout the world deeply appreciate the unflinching sympathy you have consistently shown towards their legitimate aspirations and the great part you have played in securing for the Jewish people the opportunity of rebuilding its national home in peaceful co-operation with all sections of the inhabitants of Palestine” (Gilbert, 2007, p.

85)

²³ Document can be found here
<http://www.jewishvirtuallibrary.org/jsource/Holocaust/forpol.html>

²⁴ Remnick, David "Reporting: Writings from The New Yorker". Published by Vintage, 2007. page 350

²⁵ <http://www.humanitas-international.org/showcase/chronography/speeches/1939-04-01.html>

²⁶ From Menachem Begin's perspective "...("the scope of the reprisal is equal to the magnitude of the attack") that led to the approval of our plan to attack the King David Hotel. On the 29th of June 1946 the British occupied the Offices of the Jewish Agency. The Jewish Agency was regarded as "Jewish headquarters" So, according to the doctrinaire argument we must repay them in kind and attack *their* headquarters, in the King David Hotel." (Begin, p. 288)

According to Begin the plan included giving various warnings and 30 minutes for people to evacuate the building, but for various unfortunate reasons many were still inside by the time the bombs went off.

²⁷Journalist Alison Weir has written a good overview of the birth of Israel available here:
http://ifamericansknew.org/us_ints/history.html

²⁸ See (Morris, 1999, p. 197)

²⁹ Shavit, Ari. "Survival of the fittest" Ha'aretz Friday Magazine, January 9, 2004

³⁰ Morris cites this quote as coming from Entries for 21 and 22 Apr. 1948 of Yosef Nahmani Diary from Hashomer Archive, Kfar Gil'adi, Israel

³¹ See (Morris, 1999, p. 218)

³² See (Morris, 1999, p. 253)

³³ See (Morris, 1999, p. 321)

³⁴ See (Morris, 1999, p. 327)

³⁵ Segev, Tom . "1967" ISBN 0-8050-7057-5 pub by Picador 2008, page 478 is where I found quote but refers to Sholomo Gazit, "Suddenly Trapped:30 Years of Israeli Policy in the Territories(in Hebrew)(Tel Aviv: Zmora-Bitan, 1999), p.218

³⁶ See (Morris, 1999, p. 329)

³⁷ "The Iron Wall" by the Palestinian Agricultural Relief Committees, minute 6:13sec
<http://video.google.com/videoplay?docid=8598031591119784930#> This great documentary is also praised by former president Jimmy Carter

³⁸ Unger, Craig "The Fall of the House of Bush" isbn 0-7432-8075-X page 134. Refers to "Robert I Friedman, The False Prophet: Rabbi Meir Kahane – From FBI Informant to Knesset Member (London: Faber and Faber, 1990), jacket blurp.

³⁹ See (Unger, p. 139)

⁴⁰ See (Unger, pp. 139-40)

⁴¹ See (Unger, p. 139)

⁴² Max Blumenthal being interviewed by Scott Horton in antiwar.com Oct 16th ,2011

http://dissentradio.com/radio/11_10_14_blumenthal.mp3

⁴³ Wagner, Mathew . Article titled "Shapira's distinction between Jewish, gentile blood" 2/1/2010 <http://www.jpost.com/Home/Article.aspx?id=167475>

⁴⁴ Mandel, Jonah (18 October 2010). "Yosef: Gentiles exist only to serve Jews". The Jerusalem Post. <http://www.jpost.com/JewishWorld/JewishNews/Article.aspx?id=191782>

⁴⁵ See (Morris, 1999, pp. 342, 341)

⁴⁶ <http://www.ochaopt.org/>

⁴⁷ Barak Ravid , 10/1/2010 “Netanyahu: Restrained settlement construction won't affect peace process” <http://www.haaretz.com/news/diplomacy-defense/netanyahu-restrained-settlement-construction-won-t-affect-peace-process-1.316688>

⁴⁸ Documentary “Defamation” (2008), directed by Yoav Shamir, 09:55

⁴⁹ The Norwegian Organization With Israel for Peace

<http://www.youtube.com/watch?v=kW7AHw91abA&feature=related>

⁵⁰ In another segment of “Defamation”, Anti-Defamation League Director Abraham Foxman and regional directors Joel Levi and Bob Wolfson are having a meeting to discuss the current state of anti-Semitism in America, the conversation went as follows:

Foxman: “The reason why I’ve asked to sit with both of you is what looks like a spike in anti-Semitic and racist activities or manifestations.... New York seems to be at the center ... Where do you see it, how do you see it?”

Levi: “I’ve had a lot of meetings with the police department... There is a wave, there is no question about it”

Wolfson: “I don’t know if it is attached to the time of the year...it may be attached to the presidential election”

Wanting to look deeper into anti-Semitic events, Shamir next films a lady which helps manage the database which keeps track of anti-Semitic events reported to the ADL. Levi is filmed having a somewhat perplexed/embarassed face as the lady brings up the latest so called anti-Semitic events that occurred during the last couple of weeks. She first mentions three cases where people were not given days off during some of the numerous Jewish holidays, then there was a report about someone finding a website that had anti-Semitic content and another report about a person reading an article which had “anti-Semitic undertones”. The fact that they consider an anti-Semitic incident when someone is denied a day off during a Jewish holiday tells one a lot about the ideological/propagandist nature of the ADL as an organization.

⁵¹ Youtube video uploaded by user tvwatcher5 on Mar 24, 2008 <http://goo.gl/3imas>

⁵² See <http://en.wikipedia.org/wiki/Holodomor>

⁵³ “Book Review: The Failure of America’s Foreign Wars Edited by Richard M. Ebeling and Jacob G. Hornberger” By Hans-Hermann Hoppe , Posted November 01, 1996

<http://www.thefreemanonline.org/departments/book-review-the-failure-of-americas-foreign-wars-edited-by-richard-m-ebeling-and-jacob-g-hornberger/>

⁵⁴ From PBS website http://www.pbs.org/newshour/terrorism/international/fatwa_1996.html

⁵⁵ http://en.wikipedia.org/wiki/Iraq_sanctions

⁵⁶ http://en.wikipedia.org/wiki/Madeleine_Albright

⁵⁷ Speech given before congress on July 26, 2001 titled ““Lift the United States Embargo on Cuba”. Speech can be found in book’s appendix

⁵⁸ <http://www.memritv.org/clip/en/1269.htm>

⁵⁹ Bergen, Peter L. “The Osama bin Laden I know” ISBN 978-0-7432-7892-8, page 216

⁶⁰ John V. Denson. Article titled “The Hiroshima Myth” <http://www.lewrockwell.com/orig2/denson7.html>

⁶¹ The letter can be found here:

<http://www.nuclearfiles.org/menu/library/correspondence/truman->

harry/corr_truman_1945-08-11.htm

I originally found the quote on Dr. Denson's previously mentioned article.

⁶²"A Year After Iraq War: Mistrust of America in Europe Ever Higher, Muslims Anger Persists", The Pew Global Attitudes Project, March 16, 2004. I originally saw this in Peter L. Bergen's "The Osama bin Laden I know" ISBN 978-0-7432-7892-8, page XXVIII

⁶³ <http://www.guardian.co.uk/Iraq/Story/0,1724837,00.html>

⁶⁴ http://en.wikipedia.org/wiki/Detainees_in_Iraq

⁶⁵ <http://www.memritv.org/clip/en/1650.htm>

⁶⁶Jen Banbury's story at salon.com titled "Rummy's Scapegoat" <http://dir.salon.com/story/books/int/2005/11/10/karpinski/index.html>

⁶⁷WorldPublicOpinion.org poll. "The Iraqi Public on the US Presence and the Future of Iraq"

http://www.worldpublicopinion.org/pipa/pdf/sep06/Iraq_Sep06_rpt.pdf

Do you think the US military in Iraq is currently:

A stabilizing force: 21%

Provoking more conflict than it is preventing: 78%

"More broadly, 79 percent of Iraqis say that the US is having a negative influence on the situation in Iraq, with just 14 percent saying that it is having a positive influence. Views are especially negative among the Sunnis (96% negative), and the Shias (87% negative)."

⁶⁸ Here is just one youtube user that has many such videos <http://www.youtube.com/profile?user=ADLCHRIS3>

If the link does no longer works just do a search on youtube for Iraq, or "Iraq war", or "Marines" and you will stumble upon many. Reading the comments is also reflective of the obvious macho tribalism shared by many young men who are part of this increasingly popular culture. Just a few minutes ago I looked at video <http://www.youtube.com/watch?v=2sCmj0CemF8> posted by the user I linked to above and here are some of the comments on the very first page:

Someguy1: "why the fuck iraq has not be annexed is beyond me. these people are to stupid to govern themselves. all they have ever done is fight and kill each other, they are a blight on humanity"

To which Someguy2 replies: "Thank you Someguy1. you hit it right on the head. My sentiment exactly."

A couple comments further below Someguy3 says: "Awesome video, great job in Iraq guys. Too bad you could not have included some shots of the Apaches (:39-:45) firing the Hellfire missile. Watching one of those killing machines in action is the ultimate, and flying one was the best job I ever ahd."

Maybe I am overreacting. But when the socioeconomic collapse due to our misguided economic policies inevitably comes, and the US gets closer to a police state full of corruption, these will be the young men in little black boots that keep things in order.

And here is another video <http://www.youtube.com/watch?v=1gqShQTSDCM> of a news report that shows how the US military is becoming a haven for gang members.

But this and every other atrocity that occurs in Iraq is just an unfortunate side effect of winning the war against the "evildoers", we must be strong and never give up!

⁶⁹ By Bryan Bender, Globe Staff, July 13, 2007 "More entering Army with criminal records"

http://www.boston.com/news/nation/washington/articles/2007/07/13/more_enterin_g_army_with_criminal_records/

Also good reads are <http://www.slate.com/id/2127487/> “The Dumbing-Down of the U.S. Army” and <http://www.slate.com/id/2133908/> “GI Schmo: How low can Army recruiters go?” by Fred Kaplan

⁷⁰ Benjamin, Mark . Article/blog entry on salon.com on 10/1/2010 titled “Everyone just wants to kill people at any cost”

http://mobile.salon.com/politics/war_room/2010/10/01/facebook_messages_afghanistan/index.html

⁷¹ “Bush vows to rid the world of ‘evil-doers’” by Manuel Perez-Rivas, cnn Sept 16, 2001 <http://archives.cnn.com/2001/US/09/16/gen.bush.terrorism/>

⁷² Bush, Sept 12, 2001 <http://news.bbc.co.uk/2/hi/americas/1540544.stm>

⁷³ <http://georgewbush-whitehouse.archives.gov/news/releases/2002/01/20020130-12.html>

⁷⁴ Christopher Hitchens appears on Hardball with Chris Mathews on October 31, 2000

⁷⁵ “War of the Century” is a good documentary on WWII with lots of footage of both Soviet and German soldiers describing their viewpoints and mindsets leading up to and during the war. It provides another great example of human beings just letting their tribalism see each other as subhuman/etc. It is available for instant watching via netflix.com.

⁷⁶ “Why We Didn’t Remove Saddam” By George Bush and Brent Scowcroft. http://www.millat.com/ghalibcom/events/iraq98/why_we_didnt_remove_saddam.htm

⁷⁷ Woodward, Bob. *Plan of Attack*, page 420-421

⁷⁸ Message to Iraqis on October 2003.

<http://english.aljazeera.net/English/archive/archive?ArchiveId=40703>

⁷⁹ Ibid, page 31-2

⁸⁰ Ibid, page 40

⁸¹ <http://blogs.jta.org/politics/article/2010/03/22/1011273/hillary-clintons-aipac-speech>

⁸² *Guardian* interview (Aug. 20)

⁸³ (Cook, pp. 32-3) Refers to Robert G. Kaiser ‘Bush and Sharon nearly identical on Mideast policy’, *Washington Post*, 9 February 2003.

⁸⁴ Robert G. Kaiser ‘Bush and Sharon nearly identical on Mideast policy’, *Washington Post*, 9 February 2003.

⁸⁵ April 16th, 2008 Haaretz “Report: Netanyahu says 9/11 terror attacks good for Israel” <http://goo.gl/kvb7>

⁸⁶ Inhofe said:

“I believe very strongly that we ought to support Israel; that it has a right to the land. This is the most important reason: Because God said so. As I said a minute ago, look it up in the book of Genesis. It is right up there on the desk.

In Genesis 13:14-17, the Bible says:

The Lord said to Abraham, "Lift up now your eyes, and look from the place where you are northward, and southward, and eastward and westward: for all the land which you see, to you will I give it, and to your seed forever. . . . Arise, walk through the land in the length of it and in the breadth of it; for I will give it to thee." That is God talking.

The Bible says that Abraham removed his tent and came and dwelt in the plain of Mamre, which is in Hebron, and built there an altar before the Lord. Hebron is in the West Bank. It

is at this place where God appeared to Abram and said, "I am giving you this land — the West Bank". This is not a political battle at all. It is a contest over whether or not the word of God is true."

Speech "PEACE IN THE MIDDLE EAST" Senate Floor Statement by U.S. Sen. James M. Inhofe (R-Okla) March 4, 2002

<http://inhofe.senate.gov/pressreleases/peace.htm>

⁸⁷ <http://www.lewrockwell.com/orig/north7.html> Excellent article by Gary North explaining the evolution of this powerful and dangerous ideological movement.

⁸⁸ <http://www.youtube.com/watch?v=mjMRgT5o-Ig> . Max's youtube profile with many more great videos <http://www.youtube.com/mblumenthal>

Also check out <http://tinyurl.com/27qlhq>

⁸⁹ <http://www.youtube.com/watch?v=JaIQHWfj5f4>

See "Bibi Unmasked: Caught on tape: what the Israelis really think of us" by Justin Raimondo, July 19, 2010 <http://original.antiwar.com/justin/2010/07/18/bibi-unmasked/>

⁹⁰ Unger, Craig "The Fall of the House of Bush" isbn 978-0-7432-8075-4, page 156-157

⁹¹ "Spilling the Beans About Bibi" by Uri Avnery, November 14, 2011 <http://original.antiwar.com/avnery/2011/11/13/spilling-the-beans-about-bibi/>

⁹² Glenn Beck provides a great example of how a basic understanding of economics and especially of inflation and the tremendous damage that the Federal Reserve does is reaching the public and the mainstream media. During Ron Paul's 2008 presidential run, Glenn Beck was just one of the many economically ignorant members of the mainstream media who ridiculed Ron Paul. But eventually the right ideas reached his mind and he has done a good job of bringing attention to the damage that the FED does and just how destructive government expansion has become in general. He has even had great economists like Thomas Woods from the Mises Institute on his show and on one show he devoted a lot of time to F.A. Hayek's book "The Road to Serfdom" helping it reach #1 in amazon.com .

⁹³ See (Morris, 1999, p. 255)

⁹⁴ Avnery, Uri "Bibi and the Yo-Yos" 5/28/2011 <http://www.avnery-news.co.il/english/index.html>

⁹⁵ Article "The greatest elected body that money can buy" By Stephen M. Walt, 8/11/2011 http://walt.foreignpolicy.com/posts/2011/08/11/the_greatest_elected_body_that_money_can_buy

⁹⁶ Peter Hirschberg, Haaretz Correspondent "Netanyahu: It's 1938 and Iran is Germany; Ahmadinejad is preparing another Holocaust" Nov 14th, 2006

<http://www.haaretz.com/news/netanyahu-it-s-1938-and-iran-is-germany-ahmadinejad-is-preparing-another-holocaust-1.205137>

⁹⁷ "Mahmoud Ahmadinejad says Europe 'stealing Iran's rain'" By Barney Henderson 12:16AM BST 21 May 2011 <http://www.telegraph.co.uk> see article here: <http://goo.gl/L0Ujw>

⁹⁸ "WikiLeaks cables portray Saudi Arabia as a cash machine for terrorists: Hillary Clinton memo highlights Gulf states' failure to block funding for groups like al-Qaida, Taliban and Lashkar-e-Taiba" By Declan Walsh in Islamabad, guardian.co.uk, Sunday 5 December 2010 15.30 GMT <http://www.guardian.co.uk/world/2010/dec/05/wikileaks-cables-saudi-terrorist-funding>

⁹⁹ "Nixon had notion to use nuclear bomb in Vietnam" 02/28/2002

<http://www.usatoday.com/news/washington/2002/02/28/nixon-tapes.htm>

¹⁰⁰ http://en.wikipedia.org/wiki/1953_Iranian_coup_d%27%C3%A9tat

¹⁰¹ “Iran and the West: A History of Violence” by Eric Margolis. Feb 17th 2009
<http://www.lewrockwell.com/margolis/margolis137.html>

¹⁰² See (Fisk, pp. 318–28) and http://en.wikipedia.org/wiki/Iran_Air_Flight_655

¹⁰³ Hopefully if enough people watch this tourism special by Rick Stevens we can avert the destruction of this beautiful country and its people <http://goo.gl/CMiux> . I like this one too <http://goo.gl/0Lpt>

¹⁰⁴ A Pew Research Center Poll released April 25, 2011 that 54% of Egyptians want the current peace treaty with Israel ended. This does not necessarily mean that people want war. It probably means that they want to renegotiate terms of peace to be more favorable to Palestinians and so on. See “Poll: Over half of Egypt wants end to Israel peace” By PAUL SCHEMM, Associated Press Paul Schemm, Associated Press – Mon Apr 25

¹⁰⁵ Wenzel, Robert . Sunday 27th, Feb 2011
<http://www.economicpolicyjournal.com/2011/02/all-hail-revolution-egypt-bans-export.html>

¹⁰⁶ See Gary North’s book “An Introduction to Christian Economics” available here for free: <http://www.garynorth.com/public/1033.cfm>

¹⁰⁷ See Alejandro A Chafuen’s book “Faith and Liberty: The Economic Thought of the Late Scholastics” for a good book on Catholic religious scholars who played an important role in the evolution of the economic tolerance and arguments which influenced and helped evolve Catholicism.

¹⁰⁸ See Mustafa Akyol’s book “Islam without Extremes: A Muslim Case for Liberty” for a take on Islam which highlights or interprets Islam in a more Liberty-friendly way than most of us are familiar with. Also see Mustafa’s lecture titled “The Commercial Heritage and Contribution of Islam” given at the Mises Institute: <http://goo.gl/awfjY>

¹⁰⁹ <http://www.charleslindbergh.com/americanfirst/speech.asp>

¹¹⁰ I originally saw this quote in (Duffy, 2010) where it refers to “The New York Times, April 20, 1980, 68.”

¹¹¹ I would also like to recommend that people interested in the important co-evolution of Judaism and the Western world from an interesting evolutionary perspective that I think sheds a lot of light, or at the very least makes for some very interesting reading, check out books written by Kevin MacDonald. His books have glowing reviews on Amazon.com and although I have not finished reading any of them in their entirety I would still like to recommend them. This does not mean that I agree with Mr. MacDonald on everything. Reading http://en.wikipedia.org/wiki/The_Culture_of_Critique_series which discusses his books one is referred to various criticisms of his books and general scholarship which always occurs when someone does research on Judaism and inadvertently offends some Jews. For example Mr. MacDonald has made it to the list of dangerous “extremists” according to the Anti-Defamation League, but this by itself should NOT automatically lead to people dismissing someone’s work because the ADL in my opinion is very biased towards anyone who criticizes any aspects of Judaism’s effects or Israeli policy. On one occasion which I verified Mr. MacDonald writes that:

“Moreover, achieving parity between Jews and other ethnic groups would... even entail a large taxation on Jews to counter the Jewish advantage in the possession of wealth, since at present Jews are vastly overrepresented among the wealthy and the successful in the United States” (MacDonald, 2002)

This sort of thinking and what I consider other opinions or at the very least ‘ideological inclinations’ I totally disagree with. Again, the reader should always keep in mind that any research on Judaism and its impact can quickly lead to erroneous anti-Semitic smears and the reader should do his research to verify whether the researcher or author really has some

ignorant hatred or fear of Jews or is making valid points and is simply suffering from the mob's anti-Semitism knee-jerk reaction. I am also inclined to believe that Mr. MacDonald lacks the important understanding of the market process and like many researchers places too much importance on things like IQ. But here I don't want to overstep my limited understanding of his views.

¹¹² http://en.wikipedia.org/wiki/Economic_effects_of_Hurricane_Katrina

¹¹³ Robert Higgs' article "The Trillion-Dollar Defense Budget is Already Here" <http://www.independent.org/newsroom/article.asp?id=1941>

¹¹⁴ "The Iraq War Will Cost Us \$3 Trillion, and Much More" By Linda J. Bilmes and Joseph E. Stiglitz. Sunday, March 9, 2008

<http://www.washingtonpost.com/wp-dyn/content/article/2008/03/07/AR2008030702846.html>

¹¹⁵ http://en.wikipedia.org/wiki/United_States_intelligence_budget

¹¹⁶ It should also be noted that much of what the CIA and FBI do to prevent terrorism is useless and fictitious. Here is what I mean. From the 20 or so terrorist plots that have come close to being carried out in the last ten years, three were prevented by ordinary Americans who reported them. And the other 17? They were plots where American intelligence officers played a significant role in motivating and providing the means to get disgruntled Muslim youth to attempt to commit these terrorist acts. American "intelligence" officers essentially infiltrate mosques and Muslim communities looking for young and disgruntled people and either motivate them or enable them to commit terrorist acts. For a brief overview of this see Judge by Andrew P. Napolitano's essay "Government-Generated Plots" Oct 14th, 2011 here <http://lewrockwell.com/napolitano/napolitano26.1.html>

¹¹⁷ "The US military oil consumption" by Sohbet Karbuz <http://www.energybulletin.net/node/13199>

¹¹⁸ See "U.S. military spends a cool \$20 billion on air conditioning annually in Iraq and Afghanistan" <http://www.dailymail.co.uk/news/article-2008422/U-S-military-spends-cool-20billion-air-conditioning-annually-Iraq-Afghanistan.html#ixzz1QRYGvrSZ>

¹¹⁹ http://en.wikipedia.org/wiki/NASA_Budget

¹²⁰

<http://www.bloomberg.com/apps/news?pid=20601103&sid=aRfRyhT0yHzU&refer=us>

¹²¹ John McCain "Maybe 100!..." <http://www.youtube.com/watch?v=vf7HYoh9YMM>

¹²² Article can be found online here

<http://www.counterpunch.org/stclair01222005.html>

¹²³ Tim Weiner's New York Times article "Lockheed and the Future of Warfare" Nov. 28, 2004. <http://www.nytimes.com/2004/11/28/business/yourmoney/28lock.html>

¹²⁴ <http://www.dodig.osd.mil/audit/reports/fy04/04102sum.htm>

¹²⁵ Eric Miller. POGO Statement on C-130J Inspector General Audit , July 23, 2004 <http://www.pogo.org/p/defense/da-040702-C130J.html>

And on a side note. One can look at this article by Miller "Five Weapons That Bilk the Taxpayer" <http://www.counterpunch.org/fiveweapons.html> and here is another great article by Jeffrey St. Clair <http://www.counterpunch.org/f22.html> that looks at perhaps the greatest example of how the Military Industrial Complex rapes the US taxpayer via the world's most expensive and unnecessary plane, the F-22 Raptor. 187 planes should be built for the 62 billion spent at a cost of 332 million dollars per plane. But that is assuming that there aren't any further cost overruns. So far 108 have been built. On Feb 11 2007 while on their first overseas deployment 6 planes experienced computer crashes leading to total loss of navigation instrumentation amongst other things.

¹²⁶ Article on cnn.com titled “Bin Laden: Goal is to Bankrupt U.S.” November 1, 2004 which can be found here:

<http://www.cnn.com/2004/WORLD/meast/11/01/binladen.tape/index.html>

Text of complete speech can be found here <http://www.memri.org/bin/articles.cgi?Area=sd&ID=SP81104>

¹²⁷ Guy Lawson, Article in Rolling Stone “Osama's Prodigal Son” Jan 20, 2010 <http://www.rollingstone.com/politics/news/12697/64879>

¹²⁸ Interview of Michael Scheuer by RussiaToday uploaded on Nov 13th 2011 <http://www.youtube.com/watch?v=cLjZoA3GaVE>

¹²⁹ <http://abcnews.go.com/images/Politics/transcript2.pdf>

¹³⁰ http://en.wikipedia.org/wiki/Paris_Riots

¹³¹ Craig Unger's “The Fall of the House of Bush: The Untold Story of How a Band of True Believers Seized the Executive Branch, Started the Iraq War, and Still Imperils America's Future” is a great book that seems to put the latest and greatest knowledge of how and when things happened as well as a great background on the ideological makeup of our current ruling ideologues.

¹³² <http://www.nts.gov/Publictn/2000/SPC0003.pdf>

¹³³ According to this Associated Press story found here <http://tinyurl.com/yw5s92> . Titled “Tests find passenger screening troubles at Newark airport” October, 27, 2006

¹³⁴ U.S. Department of State's Bureau of Democracy, Human Rights, and Labor. “2009 Human Rights Report: Afghanistan” <http://www.state.gov/g/drl/rls/hrrpt/2009/sca/136084.htm>

¹³⁵ Ibid.

¹³⁶ http://www.uniraq.org/documents/iraqi_constitution.pdf I ran into this information from a great article by Laurence Vance titled “Why They Died in Vain” located here <http://www.lewrockwell.com/vance/vance239.html> . Among many other great articles by Mr. Vance I have to recommend one about WWII titled “Rethinking the Good War” available here <http://www.lewrockwell.com/vance/vance181.html>

¹³⁷ Article by Laurence Vance titled “Why They Died in Vain” April 25th, 2011 <http://www.lewrockwell.com/vance/vance239.html>

IX. Race and Hip-Hop's Influence

Let's begin this chapter by stating the following important facts:

1. Individual freedom and privatization are the keys to economic prosperity.
2. The market process and its socioeconomic institutions were not designed by people, they were naturally selected, and that it is the market process and a process of cultural evolution that carried Europeans to dominance in the last few centuries and not something inherent in their genes.
3. Human beings are tribal creatures who are easily susceptible to violence, us vs. them mentality, trying to see ourselves as superior to others, or at the very least, easily susceptible to these.

At the core of all the hoopla and negativity surrounding the concept of "racism", lays yet again, economic ignorance. If black people were as productive and economically well-off as whites, in other words, if blacks were 100% convinced that their ability to prosper was unaffected by whatever dislike or fear some whites might have of them, the concept of "racism" would not be as big a deal as it is today. But obviously this is not the case. Blacks, or so-called minorities in general¹, fear some sort of economic discrimination which they feel would then be detrimental to them, and is in fact seen by most Americans as one of the main reasons why the living standards of blacks/minorities can be so far behind whites/majority. In order to combat this feared potential economic discrimination, minorities, as well as well-intentioned whites and peoples of all backgrounds, overwhelmingly call on government to make sure that:

A) we punish/brainwash/culturally change the mindset of people who might discriminate based on race/culture/background/etc.

B) that we redistribute wealth to make up for the alleged economic damage that the majority of whites do to African Americans and other minorities via their evil racism or discrimination. This does not happen directly via taxing whites to give money directly to minorities, it happens via public services like education and various welfare schemes where by being poorer, African Americans tend to pay less in taxes compared to what gets spent on them and so on.

Thus far I have discussed ignorance of the socioeconomic forces that have shaped the social order and the big-government ideology that results from it as being the main culprit in so much suffering and lack of progress, but the aforementioned (A,B,...) reasons for government growth also play an

¹ Although for simplicity's sake this chapter will discuss things in a Black/minority vs Whites/majority way, the fundamental issues apply to other societies where one ethnicity is the majority and so on. For example, countries like France have large minority Muslim populations and the social dynamics are similar.

important role in the socioeconomic problems we face. If privatization and the dismantling of government are what is needed to bring about a rapidly increasing socioeconomic prosperity, we also need to alleviate the fears which lead so many people, especially blacks/minorities, to call on government to curb all the race-related or motivated legislation and growth of government programs.

If white American's inadvertent move towards Socialism wasn't bad enough, African Americans are much more susceptible to socialist share-the-wealth ideology. If socialist ideology arises out of our fears of freedom and that the haves will naturally exploit the have-nots, then it makes perfect sense that African Americans are even more inclined towards Socialism and government enforced economic equality. Given our usual tribal understanding of the world, many blacks easily reason that some white's dislike or discrimination towards them is the main reason why blacks have problems. Many tend to see economic development as a sort of foot-race, and many people (blacks and whites) figure that since they started way back it is ok or "fair" that the government takes from the haves to give to the have-less and bring about equality. This is all just sort of obvious; if one yearns for equality and you are nearer the bottom, then to reach this equality you need the big ape government to enforce such equality. In the back of many people's minds is the fear that should it not be for our "equal opportunity" laws and forced integration, whites would hog all the jobs and make things worse for blacks, and that without things like public education bringing about equality in education whites will always have better education and blacks will always be behind/etc. On and on and on and on, every fear or concern that leads to socialist policies we should expect to see in higher proportion amongst blacks/minorities, not because it is part of their nature or because the color of their skin, but because of historical circumstances, various incentives and a few other things. As the US continues its economic downward spiral and calls to cut government spending increase, it is inevitable that minorities, especial African Americans, see this as an attack on their wellbeing¹, which can lead to riots and a further acceleration of America's socioeconomic decline. Although at the time of this writing there are no riots fueled by these sorts of fears (the Occupy Wall Street protests might be getting there), the political environment is already segregating itself along racial and ideological lines setting the stage for turmoil.

Another thing that lies at the root of our racial problems is the fact that there are some slight biological differences that unfortunately tend to make it easy for us to group or 'stereotype' our thinking about human populations/"races" in ways which lead to various problems or tensions. For example, blacks are on average better athletes than other races and this inadvertently spawns a chain reaction of incentives, fears, and many other things that ultimately play an important role in getting us to where we are. One could also say that white/European women are seen as more attractive in general. I am reminded of a daytime Tyra Banks show where she had a black girl talk about how she wished she was lighter skinned. The girl's mother too talked about her own issues with her skin color. Actor/director Spike Lee's classic movie on black/white relations "Jungle Fever" too does a great job of showing the pressure/effect that being lighter skinned or more "white looking" has on black women.² I know that these are great generalizations, especially when it comes to judging beauty since it is something that is heavily

influenced by the cultural brainwashing we get as we grow up. I am also reminded of a book I was flipping through one time, I don't remember the title but it talked about sex and beauty. It had a picture of a woman from some African tribe with all kinds of ornaments on her face. To most of us who grow up in the West this woman would probably not look very attractive, but in her tribe she was considered to be exceptionally beautiful and the man who married her had to pay the woman's family many cows and other animals that were considered a fortune in that tribe. Since we no longer grow up in isolated pockets of people where everyone looks relatively similar, now we have a situation where what is perceived superior in certain things like sports/manliness and beauty might lean more towards one particular "race". Although I am exaggerating quite a bit when I say this, it is becoming increasingly rare to see a real authentic dark-skinned American black girl with a black boyfriend. For example, just a few minutes searching on youtube about this sort of thing I ran into a video from a recent high school graduated black girl in Alaska where she complains that black guys in her school only go out with light skinned girls, she says:

"black boys don't date black girls anymore. . . In Alaska it's pretty extreme. You know the boys up here, for the most part—granted you could find a couple that would date a dark-skinned girl like myself—but for the most part they're only dating girls that are either light-skinned and or mixed, other than that, up here, they are dating whites and Asians."³

One study found that black men are more likely to attempt to contact a white woman online than a black woman.⁴

One of the reasons why this happens is due to the *forced* integration of people. For example, black people tend to attend churches that are predominantly populated by other blacks and have rituals or cultural elements that have been traditionally associated with blacks. Some sort of segregation by groups seems like a natural way for people to create a cultural environment that meets the needs of people, and our well intentioned forced integration, primarily via public schools, might interfere with the benefits that some levels of segregation might bring. Does this mean that I am advocating segregation, no, I am advocating whatever freedom discovers to be a better choice which might include more levels of segregation.

In the last chapter we briefly discussed how the desire of the established Caucasian "experts" to keep supposedly inferior races away from the U.S. is what led to the erection of immigration barriers. If it weren't for the fear of millions of Africans spewing into North America and Europe I have little doubt in my mind that worldwide immigration barriers would have been greatly reduced to the great socioeconomic benefit of mankind. The obvious bottom line is that race plays a huge subconscious role and unfortunately it plays a big role in economics thus leading to horrendous policies which only serve to exacerbate whatever "racial" problems mankind is dealing with.

Freedom vs. Racism

Let's immediately say a few things about how freedom and competition are also the solution to the "economic racism" so many people

fear.

First of all, businesses/people that refuse to do business with people due to race will do less business, thus make less profit, and thus be more likely to be out-competed by those that do not discriminate. This by itself creates the necessary incentives to help eradicate a racist culture and replace it with a more tolerant one. But let's examine things deeper.

If you are a CEO/investor/owner of a company, do you want the people doing the hiring to be "racist" and forego better qualified (more productive) blacks/minorities/etc. at the expense of profits? Let's say Edward, an evil racist white man, owns a business that has a workforce of say 100 white employees and pays each on average about \$40,000/year and could replace 10 of them for equally qualified blacks/minorities who would be willing to work for \$35,000 per year. By hiring minorities he could be profiting \$5,000 more per year per employee for an extra $\$5,000 \times 10 \text{ employees} = \$50,000$ per year. Is his racism enough to give up \$50,000 per year? Or does he rather curb his own racism and preach tolerance within his company so he can make the extra \$50,000? So as one can see, there are financial incentives that motivate people to curb whatever racist attitudes they might have. But there is more than just incentives, there is competition which *forces* racism to be diminished. Edward's less racist or more tolerant competitors who hire the blacks/minorities/etc. will be able to sell for less thus forcing Edward to also curb his racism or go out of business.

During the days of slavery the world was still pretty simple, especially in the South where agriculture played such a dominant role in the economy. It was easy to see how freedom could lead to prosperity. Besides the obvious freedom from bondage and torture, blacks wanted the freedom to own their own plot of land, to go into business by themselves and keep for themselves everything that their labor produced. But in today's world of larger corporations and a tremendously complicated productive structure where hardly anyone produces a physical good/product directly for the market, this sort of freedom can scare us, especially when most of the CEOs and the upper echelons of management are likely to be whites (or Chinese and Indian the way things are going). Back in the simpler days, most people were either self-employed, or employed in small businesses, which is not the case today, even "small" businesses, according to the US definition, can have up to 500 employees. People now have to join these mini social orders instead of seemingly selling/producing directly for the public, and if these companies are largely headed by whites who might prefer other whites to a certain degree, then you get this fear of so called "institutional racism". We no longer see our prosperity based on how we can help produce something, we see it based on how we can "find a job", or based on "who is going to give us a job", as if jobs were these things that were in some kind of limited supply. But by now we know this is economic nonsense. There are as many jobs as people willing to trade their labor for a price others are willing to pay. Again, if minimum wage legislation makes it a criminal activity to trade your labor for less than some amount, then yes, there will seemingly be a lack of "jobs". The word "job" itself can be misleading and provides an example of where the meaning of words gets us into trouble. People can be seen as producing their labor, labor which businessmen/others have to compete for in order to incorporate such labor with their productive plans. And again, working is just trading, so

called companies are just mini social orders of people constantly trading with each other to help produce a good or service.

Again, at a fundamental level, natural selection selects for order, for social order, which means it selects for knowledge that leads to more productivity, and a “racist” business culture will be less productive and thus outcompeted and eventually die out, so that the businesses(or the sort of pockets of knowledge which businesses represent) which remain will be less and less racist/tribal and more and more strictly focused on productive ability and the mutual respect that it fosters. The bottom line is that racism/tribalism is naturally selected against and we see signs of this everywhere, the world is far less racist/tribal as time has gone by and free markets have integrated more and more people all over the world. Most Americans probably prefer to deal with or hire other Americans, yet American companies are expanding in places like China or wherever there is enough freedom to make profits, and this profit motive forces profit-seekers(everyone) into cooperating and ultimately dropping the tribal and ethnocentric culture we have inherited from our more tribal past. The examples I’ve just mentioned apply not just to so called racism, but to “sexism”, overweight-ism, or whatever other “ism” which supposedly “oppresses” some group of people in a free society.

Improvements in race relations have **not** come about mainly thanks to the efforts of “great leaders” like the much hyped Martin Luther King. Just like ideas and innovations are more the result of the market process than they are of the individual who had the fortune of having some concepts coalesce in his mind in a way that led to a great invention, so too has the equal treatment of people come about thanks to the economic incentives that united people of all backgrounds in attempts to make bigger profits and remain competitive. Actually, not just the economic incentives, the freedom that allows people to interact with each other and inevitably come to the truth that all human beings are far more alike than the ethnocentric views we had inherited from our past. In order to win more championships with which to lure more fans and sell more tickets the Brooklyn Dodgers broke the color barrier in sports by hiring Jackie Robinson in 1947, soon others would follow in all professional sports. By the time Martin Luther King Jr. was assassinated in 1968 helping to launch him to political martyrdom status, black musicians had enamored an entire generation of Americans *and* Europeans *and* people all over the world. Go to England or Spain or Germany and see if anyone has ever heard of Martin Luther King; you’ll have a hard time finding people who do, but take your average 40+ year old person in any one of these countries and ask him/her to hymn along to chart-topping songs from The Supremes, The Temptations, Stevie Wonder and so on; you are likely to find millions. Martin Luther King’s contributions towards the success of African Americans and minorities are insignificant compared to those of these musicians and the musical entrepreneurs who helped launch their careers like the founder of Motown Record Corporation, Berry Gordy Jr.. Actually, MLK’s contributions have been *detrimental*. You see, like most other prominent black political leaders and intellectuals he had little understanding of economics, and for reasons already hinted at, his socioeconomic views leaned more towards Socialism. One of today’s leading mainstream African American intellectuals, Michael Eric Dyson writes:

“King also contended, in 1967, that “the roots [of economic injustice] are in

the system rather than in men or faulty operations.” In a remarkable statement in a speech he gave to his staff in 1966, King laid out the ideological basis for his deepened assault on poverty, economic injustice, and class inequality:

We are now making demands that will cost the nation something. You can't talk about solving the economic problem of the Negro without talking about billions of dollars. You can't talk about ending slums without first saying profit must be taken out of slums. You're really tampering and getting on dangerous ground because you are messing with folk then. You are messing with the captains of industry. . . . Now this means that we are treading in difficult waters, because it really means that we are saying that something is wrong. . . . with capitalism. . . . There must be a better distribution of wealth and maybe America must move toward a Democratic Socialism

This statement is remarkable since King rarely allowed his positive response to democratic socialism to be recorded. His usual practice, according to one of his aides, was to demand that they “turn off the tape recorder” while he expounded on the virtues of “what he called democratic socialism, and he said, ‘I can't say this publicly, and if you say I said it I'm not gonna admit to it.’” King “didn't believe that capitalism as it was constructed could meet the needs of poor people” (Dyson, p. 88)

So understandably MLK had to keep his Socialist socioeconomic views under wraps but it was hard to conceal the fact that he was often surrounded by communists. Another famous American black leader, Malcolm X, sent a letter to President Truman letting him know that “I have always been a communist”. Perhaps the most famous international black leader, South Africa's Nelson Mandela who won the Nobel Peace Prize in 1993 is also a Socialist ideologue. In a statement at the beginning of the trial that would send him to jail for 27 years he said:

“We all accept the need for some form of socialism to enable our people to catch up with the advanced countries of this world and to overcome their legacy of extreme poverty. . . . I should tie myself to no particular system of society other than of socialism.”⁵

South Africa has gone from a country where a small percentage of whites used government force to restrict the freedom of blacks, to a democracy where a majority of blacks, full of an understandable resentment coupled with a huge dose of economic ignorance, attempt to implement socialist policies that redistribute wealth from everybody and inadvertently help destroy the economy and moral fabric of society⁶.

So anyways, I blame black leaders for their economic ignorance and the fears that they lead to as much as I blame Obama, Bush *and* his dad and pretty much everyone who has not had the fortune of stumbling upon Hayek, Mises and like-minded people, in other words, I don't blame them at all. The bottom line is that MLK and many other prominent black leaders have inadvertently helped push America closer to Socialism and the situation we find ourselves in today. Further proof of the damage that such leaders and their bad economic policies creates can be seen in those cities where blacks have the most political power and can thus implement their well-intentioned yet socioeconomically disastrous programs and regulations. As African American economist Walter E. Williams writes in his aptly titled article “Does Political

Power Mean Economic Power?":

"While black politicians have preached that political power is a means to gain economic power, whether it has done so is a testable proposition. We only have to examine the socioeconomic status of black Americans in cities where blacks hold considerable political power, cities such as Washington, D.C., Newark, Philadelphia, Detroit, Cleveland, Memphis and others. What we'll find in those cities are grossly inferior education, welfare dependency for much of the population, unsafe neighborhoods and citizens, both black and white, who can't wait for the first opportunity to get out."⁷

Like many people who write about and try to defend freedom, when it comes to race relations it would be so much easier if I were black. If I were black I would want to defend people's freedom to be racist, not because I want some people to discriminate against me for whatever reason, but because I have such a good understanding of freedom and thus so little to fear from racism, and also because I happen to think that it is wrong and economically damaging to make someone a criminal simply because they might not like me or people who I share some traits with (skin color or whatever the case might be). This is why some of the African Americans who have no fear of racism and are perfectly ok with the freedom of people to be racist are free-market economists like Thomas Sowell¹ and Walter E. Williams. Since they understand how freedom works they have no fear of whatever racial discrimination exists, but their eloquent voices are simply drowned out by the overwhelming combination of economic ignorance, fear, and sheer tribalism that understandably plagues the black community as well as mainstream America in general. To the current mainstream black intelligentsia/leaders, which naturally rise to the top because they are the very embodiments of the fear/ignorance/tribalism that plagues the black community, these economists are some sort of sellouts or people in the pockets of "big corporations" and that sort of nonsense. Since they do not understand economics they inevitably have to reach such foolish conclusions. Again, an understanding of economics is the missing piece.

The same confidence and fearlessness which Sowell and Williams have will inevitably be the attitude of many minorities as they gain a confidence that can only come about via the proper understanding of economics. Let's face it, a real nigga should not fear anything, much less what some scared crackers think, right? In this sense we should all strive to be niggas, because we really have nothing to fear except economic ignorance and the unfortunate actions some take because of it.

Slavery

Slavery has been the norm not the exception for a good chunk of our recent evolution. The ancient Sumerians, Babylonians, Egyptians, Assyrians, Greeks and Romans all used slavery. "The ancient Chinese used both domestic and imported slaves and customarily buried them alive with their deceased masters" (D'Souza, p. 38). If you can enslave others and get away with it in a way that increases the strength of your social order then your social

¹ Most of us, especially African Americans can greatly benefit from reading these men's articles and learning about their lives. Sowell (<http://www.tsowell.com/>) and Williams (<http://econfaculty.gmu.edu/wew/>)

order will survive and carry within it the cultural values associated with slavery. First we enslaved others like us, but as our ability to travel further increased we also enslaved those that were different from us. Much of the world was an orgy of slavery until the “white man”, due mostly to the evolution of his religious values, i.e. Christianity, eventually put an end to it in Europe and then forced/enlightened the rest of the world to be as civilized. The single sentence story about the slavery of blacks, which unfortunately is held by too large an amount of people goes something like this: The more technologically advanced whites, brought over blacks and enslaved them therefore “the white man” is evil. Ok, so maybe I’m exaggerating here a little but not by much, but let’s go over the story one more time.

For various reasons which had nothing to do with their biological ability to do so, African blacks did not develop more advanced civilizations and were easy prey to the Arabs which became the first mass enslavers of blacks by the 8th century. As African American economist and historian Thomas Sowell tells us:

“Arab slave traders penetrated down into the center of Africa and in the East coast as far south as Mozambique. In cooperation with local tribes, they captured or purchased slaves to take back with them across the Sahara desert, which eventually became strewn with the skeletons of Negroes who died on the long march across the burning sands. The Arabs were notable as the most cruel of all slave masters. As late as the nineteenth century, British explorer David Livingstone had nightmares for weeks after witnessing the treatment of slaves by Arabs. Slavery was not completely abolished in the Arab world until after the middle of the twentieth century.” (Sowell, 1981, p. 185)

As bad as slavery was, for some blacks in some ways it was a better experience than that of many “freer” Europeans. Sowell continues:

“In narrowly material terms, slaves in the United States were usually amply fed with low-quality food, and their housing – although primitive by today’s standards—was comparable to(or better than) that of contemporary European peasants or workers. The average life-span of nineteenth-century American slaves was slightly below that of whites in the United States, but the same as the lifespan in Holland and France and greater than that in Italy or Austria. Slaves in the United States lived an average of thirty-six years; peasants in Ireland, nineteen years. To the slave owner, slaves were an investment, and one to be safeguarded. For example, slave owners typically hired white workers –typically Irish immigrants—to do work considered too dangerous for slaves.” (Sowell, 1981, p. 186)

So why was the “white man” so evil? How could the strong Christianity of the times and the ideology of “all men are created equal” coexist with such cruelty? Does this really need explaining? It was an outcome of the current state of the “cultural books”/ideologies at the time coupled with the various economic incentives that made slavery profitable. It should also be noted that most slaves brought over to America were not snatched from Africa by Europeans, they were sold to Europeans by fellow Africans.

It is important to also realize that the more technologically advanced Europeans often times believed that they were doing good by “civilizing” people who they saw as savages, living more like wild animals than human

beings, without proper clothing and no knowledge of Christianity. From European's perspective, they were obviously more advanced and superior and they attributed this superiority to the way they looked, to their race. Europeans at the time had no clue that what had made them the more powerful civilization was a process of cultural evolution that had little to do with whatever slight genetic differences exist between Europeans and the rest of the world. Their prosperity was created by a more advanced legal and financial framework, by the market process and so on. **To this day the "white man" is still utterly clueless of this crucial fact!** Some think God has "blessed" America. Others, drowning in the usual economic ignorance, inevitably believe that it is people that matter and therefore point to the perceived greatness of US presidents and the many government bureaucracies they created completely overlooking the socioeconomic forces that like a wave carried the Europeans to relative greatness.

When African slaves were being brought to the new world, for many people they were simply not considered full human beings on equal footing with whites. As economist Robert Higgs writes:

"Black slavery, so the story went, was a "positive good" because the blacks were inherently inferior. The whites stood in the position of "natural" superiors. But they recognized an obligation to the blacks like that of a parent toward a child, an obligation to protect and care for the simple needs of a simple people. They recognized, too, that the black could offer useful services in return, generally the performance of arduous field labor in the production of the Southern staple crops. With whites and blacks occupying their preordained social and economic spheres, society would not only be prosperous but happy, for everyone would recognize and fill his proper "place". Finding biblical, even "scientific," support for these beliefs was not difficult for people committed to them in any event.

After the Civil War, DeBow's Review, a leading organ of Southern opinion, opened its pages to a proslavery theorist, George Fitzhugh, who expounded the philosophy of race relations most widely accepted in the South:

"We should treat them [the blacks] as mere grown-up children, entitled like children, or apprentices, to the protection of guardians or masters, and bound to obey those put above them, in place of parents, just as children are so bound. Little legal regulation is needed to induce white men to work. But a great deal of severe legislation will be required to compel negroes to labor as much as they should, in order not to become a charge upon the whites. We must have a black code... Mere law cannot sufficiently govern negroes... They need masters of some sort, as well to protect as to govern them. And masters they will have, or soon perish and disappear from the face of the earth.⁸

And again:

Nature never intended, and never will permit the races to live together, except as masters and slaves, so that the superior race, commanding the labor of the inferior race, shall at the same time be compelled to provide for, and take care of that race. We do not mean by slavery such as that which has been recently abolished, but some form of subordination of the inferior race that shall compel them to labor, whilst it protects their rights and provides for their wants.

Evidently white Southerners intended to preserve the privileged position of

their race regardless of the emancipation.” (Higgs, 1980, p. 7)

—End of Higgs’ quote

As if things weren’t bad enough for blacks, Charles Darwin’s theory of evolution (and more importantly, its misunderstandings) coupled with blacks’ unfortunate greater resemblance to apes than whites, made it even more “obvious” to many, especially those who had the most to gain from the exploitation of blacks, that blacks were somehow inferior and further down in the evolutionary ladder and therefore incapable of self-rule and socioeconomic prosperity.

On racial IQ inferiority nonsense

James Watson, co-discoverer of DNA’s structure, is a perfect example of how ignorance of economics and a whole lot more is deeply entrenched in the minds of many of the world’s top scientists. He recently took a lot of heat for making the following remarks.

“there is no firm reason to anticipate that the intellectual capacities of peoples geographically separated in their evolution should prove to have evolved identically. Our wanting to reserve equal powers of reason as some universal heritage of humanity will not be enough to make it so.”⁹

This is true. People of different races do have slightly different genes here and there which could lead to differences in mental capacity as well.

Some people might quickly reach the conclusion that people who are in tribal stages of social development must be dumber in some way, but this does not have to be true at all. For example, Jared Diamond in his bestselling book “Guns, Germs, and Steel” shows how Australian aboriginals were bound to be stuck in a tribal world because there simply weren’t any animals suitable for domestication that might have been as useful as things like cattle, and that the soil and plants in their environment were not conducive to farming. Moreover, the selective pressures that really shape our intelligence have come about by competing with fellow big-brained humans. People in a tribe have to learn language, communicate and compete with the selfish interests of all the other members in the tribe: lie here, join an alliance there, remember favors, plan some clever scheme to manipulate others to get what you want, etc. These sort of calculations are the ones that really shaped our intelligence. One can actually make the case that people who live in tribes might even be smarter. People who live in modern market oriented societies can have very little social skills, learn how to do just a few things, and thanks to the tremendous productivity of the entire social order via the market process they can easily feed themselves, clothe themselves, reproduce and feed their offspring. A waitress can perform the same job for a lifetime, trade her labor for money, and the money for a computer with Internet access, use Google to figure out how to solve all kinds of problems. She can afford a car, modern medicine, all things that can greatly help her survive and reproduce. As previously mentioned, the modern human ant-farm can be seen as a robot or a tool that gets better with time and a larger population. A “dumb” person 100 years from now will be able to achieve a lot more than a “smart” person

today. Although the tribal social order was a lot simpler compared to what we have today, there was still plenty to do and many people had to be jack-of-all-traders. A small number of trades compared to today, but a small number of brains too. You had to learn how to build the huts, simple tools, where to get materials, which ones were best. This is highly speculative but it is a simple point to keep in mind. As Hayek put it:

“In civilized society it is indeed not so much the greater knowledge that the individual can acquire, as the greater benefit he receives from the knowledge possessed by others, which is the cause of his ability to pursue an infinitely wider range of ends than merely the satisfaction of his most pressing physical needs. Indeed, a ‘civilized’ individual may be very ignorant, more ignorant than many a savage, and yet greatly benefit from the civilization in which he lives.” (Hayek F. A., 1973, p. 14)

Back to Dr. Watson. He also said that he is “inherently gloomy about the prospect of Africa” because “all our social policies are based on the fact that their intelligence is the same as ours – whereas all the testing says not really”. This is where the great mistakes begin to occur and sort of reminds me of the kind of mindset that evolved to play a leading role in Nazi Germany. First of all, as already repeated over and over, it is not individual intelligence that creates socioeconomic prosperity, it is the ability of the market process to combine human intelligence (smart or dumb) into a new type of collective intelligence. Even if it were true that Africans were not as smart as whites, this would not be the main reason why societies with larger white populations are more prosperous than Africans. Again, it is the economic system that really brings prosperity, not individual human intelligence. It is as if the market process can add up the IQs of people so that you are better off with 5 brains with IQs of 100 for a total of 500 “intelligence points”, than you are with 4 brains of 115 IQ for 460 intelligence points. But Dr. Watson, and most scientists have no understanding of what the market process is¹⁰. They are stuck looking for answers in their tiny world of genes and believe that the answers to most things somehow have to be found there, especially those things that are largely shaped by the market process and cultural evolution. Since they do not understand these concepts they are limited to using the same sort of genetic hammer to stomp every nail.

Second is that IQ related testing is dubious at best. As Dr. Sowell explains:

“Like fertility rates, IQ scores differ substantially among ethnic groups at a given time, and have changed substantially over time—reshuffling the relative standings of the groups. As of about World War I, Jews scored sufficiently low on mental tests to cause a leading “expert” of that era to claim that the test score results “disprove the popular belief that the Jew is highly intelligent.” At the same time, IQ scores for many of the other more recently arrived groups—Italians, Greeks, Poles, Portuguese, and Slovaks—were virtually identical to those found today among blacks, Hispanics, and other disadvantaged groups. However, over the succeeding decades, as most of these immigrant groups became more acculturated and advanced socioeconomically, their IQ scores have risen by substantial amounts. Jewish IQs were already above the national average by the 1920s, and recent studies of Italian and Polish IQs show them to have reached or passed the national average in the post-World War II era. Polish IQs, which averaged eighty-five in the earlier studies—the same as that of blacks today—had risen to 109 by the 1970s. This twenty-four-point increase in two generations is greater than the current black-white difference (fifteen points).” (Sowell, pp. 8-9)

If IQs can change so much with socioeconomic achievement it does not tell us much about differences in mental capacity, and again, whatever differences might exist are insignificant compared to what really matters, the way the economy works. And why is it that if black people supposedly have lower IQs do they excel in music, comedy and so much more? Don't these activities require great minds? The bottom line is that when one looks at people bringing up IQ stuff or arguments about prosperity based on human traits, you are usually dealing with someone who has little understanding of the fact that whatever slight biological differences might exist between peoples of different populations are insignificant compared to how freedom and the market process creates a prosperous social order.

Biological differences

Our modern understanding of evolution and genetics shows just how much alike all human beings are, this is wonderful and a key to our potential prosperity, but there are some slight differences given the fact that various populations have adapted to slightly different environments.

Although born a week earlier than white or Asian babies, black babies are more mature in terms of bone development. According to French physician Marcelle Geber who studied Ugandan children in 1957 "The motor development was greatly in advance of that of European infants of the same age. It was paralleled by advanced adaptivity, language, and personal social behaviour."¹¹ In his book "Taboo: Why Black Athletes Dominate Sports And Why We're Afraid To Talk About It", Jon Entine summarizes some of the differences:

"The faster maturation of black babies continues throughout life even when blacks are poorer and eat a less healthy diet¹². They demonstrate superior eye-hand coordination, hold their necks erect earlier by a couple of weeks, walk earlier by about a month, and enter puberty earlier by about a year.¹³

"I think the reason [for precocity in black infants] may be partially biological," notes William Frankenburg, a professor of pediatrics and preventive medicine at the University of Colorado. In the mid-1960s Frankenburg and fellow researcher Joe Dodds developed a standardized measure of thirty gross motor skills of infants, including throwing, jumping, kicking, and coordination, that is now used in more than fifty countries. The researchers were intrigued to find that black children as young as six months developed significantly more quickly than the white infants.¹⁴

"When I first looked at the data I thought, 'Those were interesting but maybe not replicable kind of findings, perhaps chance findings,'" says Dodds.¹⁵ The researchers, who have worked together for more than twenty years, then crunched the numbers on thousands more children. Once again, they were flabbergasted. "There were no items that the white children were doing earlier than the black children in the first year of life," Dodds notes. Even by age four, blacks had an edge in fifteen categories while whites bested blacks in only three." (Entine, p. 250)

West Africans and their descendants like Haitians, Jamaicans and African Americans, have also been shown to have a higher proportion of so called "fast-twitch" muscle fiber which helps explain their utter dominance in the world of sprinting. While discussing sports in general, Entine mentions in an

interview:

“Different populations... do better at certain sports, not only because of cultural reasons...but also because of genetic reasons. East Africans have a body type that tends to contribute to them dominating in things like...long distance running... West Africans (African Americans are almost exclusively of West African ancestry) tend to dominate in sports that require quick jumping and running, everything from the hundred meters to basketball and football. Whites dominate in the strength events. These are all to some degree circumscribed by the body types that evolved in very different climates.”¹⁶

To the aforementioned differences we should add the effects of artificial selection that went on as slave traders chose bigger/stronger people and as slave owners mated likewise. How significant this sort of thing was I don't really know but it must have played a role no matter how small.

Sexual tensions from the beginning

At the heart of the black/white racial tensions we have today lie a sort of sexual competition whose roots can be traced back to even before Africans were brought over to America. Historian Peter W. Bardaglio writes:

“English settlers who came to America brought with them notions about African sexuality that influenced colonial policies concerning miscegenation. It was widely held, for instance, that black women were extraordinarily passionate and had virtually no self-restraint; they were “hot constitution'd Ladies” who possessed a “temper hot and lascivious,” one Englishman reported. Black males also were associated with a “beastly” sexuality, and European travelers to Africa commented often on the “extraordinary greatness” of the men's “members” as confirmation of their exceptional virility. These perceptions regarding the supposedly uncivilized nature of African sexuality helped to legitimize the legal control of interracial sexual encounters in America.” (Bardaglio, p. 50)

The perceived inferiority and relative cultural/tribal backwardness of blacks served as the ideological foundation needed to justify their enslavement. As long as blacks were associated with an inferior race, whatever advantages in terms of strength or other qualities they might possess posed no threat, but when white women chose to be with black men, this not only helped shattered this ideology, but quite naturally struck fear in the hearts of many white men. Various laws were obviously needed to enforce slavery for economic reasons, but the potential sexual competition also played a tremendously important role in shaping life in the South as can be seen by the various laws established to prevent interracial sex, especially sexual relations between white women and black men. Bardaglio writes:

“The Maryland and Virginia assemblies led the way in legislating against miscegenation, beginning in the 1660s. Maryland at first punished only interracial marriage, and Virginia only interracial fornication, but by the end of the seventeenth century the two colonies penalized both acts.¹⁷ From the beginning antimiscegenation legislation in Maryland manifested an intense concern with controlling the sexual behavior of white women. In 1664, for example, the legislature enacted a law that denounced “diverse freeborne Englishwomen [who were] forgetful of their free Condition and to the disgrace of our Nation doe intermarry with Negro slaves.” To discourage

“such shameful Matches,” the statute stipulated that any white woman who married a black slave was to serve her husband’s master until the slave died. The offspring of these interracial marriages were to “be slaves as their fathers were, . . .” (Bardaglio, pp. 51-52)

Historian Winthrop D. Jordan writes that:

“Attitudes toward the Negro male were more complex and potentially far more explosive. The notion that Negro men were particularly virile, promiscuous, and lusty was of course not new in the eighteenth century, but the English colonists in America showed signs of adding a half-conscious and revealing specific corollary: they sometimes suggested that Negro men lusted after white women” (Jordan, p. 151)

and:

“A Maryland act of 1681 described marriages of white women with Negroes as, among other things, “always to the Satisfaction of their Lascivious and Lustfull desires, and to the disgrace not only of the English butt also of many other Christian Nations.”¹⁸

When black boxer Jack Johnson was beating up “great white hope”’s on his way to becoming the first black heavy-weight boxing champion of the world in 1908, the white world was very worried and with good reason. Given the way our minds work, where associations of characteristics/traits and their level of success/failure are very important, whites obviously did not want black men to get the confidence that comes from knowing that their characteristics/‘blood’ were associated with superiority at something as instinctively desirable and important for men as superior fighting ability/toughness. Intuitively we know that when someone has an advantage, they are likely to show it off and use it to make the most of it. It inevitably affects our confidence and provides an advantage that one is somewhat inclined to take advantage of. Especially when you have been treated as inferior like blacks had been.

When someone of your race/population is bigger or stronger or better at something, it is not as big a deal as when it is someone from a different race/population. Having children is a bit like a crapshoot, ugly people often times have beautiful children, and beautiful people often times have ugly kids and so on, and because of this, a slight advantage by members of the same race in any trait is not that important. The superior trait being examined is only possessed by a relatively few members of your group and since human beings have for most of our evolution lived in tribes, where there was little genetic difference between members, such changes amongst people are more the result of chance. Let me put it this way, in a small tribe everyone is playing with the same cards(sentences/genes), sometimes some people have a great hand, they are more beautiful or athletic than others because the cards came out that way, but when they reshuffle their cards with another to mate and have children, the straight/“three of a kind”/“full house”, which led to an exceptional person in the past might now be broken to lead to ‘an average

or below average hand'/'human being'. But if the qualities that are associated with superiority are associated with someone from a different race, then you will never have this quality in your lineage, it is as if they have a card that can always beat yours, and whatever race you belong to, it is now associated/stereotyped with whatever trait is being considered. It is great if the trait is something desirable; a disadvantage if it is not and thus eventually entire populations/races are stereotyped.

Riots broke out when Jack Johnson became world champion. Jack Johnson was in many ways the white man's worst nightmare. Not only did he humiliate his "great white hope" opponents, he flaunted his taste in white women and was the main reason behind many racially motivated laws during the time. Soon after marrying his second wife, Lucille Cameron, an 18 year old white prostitute, the government finally got him for violating the Mann Act, a law which prohibited the transportation of women for "immoral purposes" across state lines, and had been motivated by these kind of racial tensions that Jack was stirring up. Jack skipped bail and lived overseas for several years before finally turning himself in. If one had a time machine which could be used to bring back a feverishly racist white man from Jack Johnson's time, and be shown what things are like in growing America, he would not have been surprised. Some of what we are seeing today is what fueled his racism; he intuitively knew that associations between success and characteristics which he did not possess, or possessed to a lesser degree would eventually lead to a large stereotype which is exactly what has slowly happened in America. More along these lines later.

Comments on drug prohibition, its history, and race relations

Mind altering substances have been a constant part in our recent evolutionary history. Such drugs have helped our minds ease their powerful soberness, and by screwing up that reality-minded functioning of our brains, drugs have helped us interact, or better said, create, the spiritual world, which as already discussed, has been such a key factor in our evolution. Some drugs make us more relaxed and better able to bond with others, some drugs excite us and give us a feeling of invincibility which might have been helpful in overcoming our fear in preparation for an always brutal war/confrontation. The bottom line is that when one looks at the evolutionary history of mankind, mind altering substances have been a common trait in our cultures. Besides the obvious reasons that people do drugs because they like them, drug use has been a cultural trait that has been naturally selected for. If it was so detrimental and played such an important and negative role in society, it is a trait that would have been damaging to those societies that had it and would have led to their cultural extinction, but again, the fact that it has been common in all cultures gives some powerful evidence that it has had a net beneficiary effect.

Some might say that on the contrary, that the tough drug war and moral depravity associated with drug use has been a key ingredient in creating a better society. In today's world we can't get high around some fire and then drive a car. But this is non-sense, the vast majority of drug users are easily able to understand and control such risks. Alcohol is a far worse drug than marijuana yet millions incorporate it into their functioning without any problems. And probably the biggest problem with alcohol, drunk driving

related accidents, are more the result of our bad laws. A person who is high on a drug easily knows that he/she is impaired and should this person need to drive he could compensate by driving a lot slower and perhaps with blinkers or some other signal letting people know that "I am impaired". But given our laws this would ruin your life so you have no choice but to surrender your good judgment which is more than capable of dealing and planning for its future impaired state. Anyways, this is not the book for going into detail about drugs.¹⁹

An important factor in our drug prohibition is rooted in our desire to restrain the actions of others; actions which we feel might put us at a disadvantage in some regard. For example, one of the things we like about marriage between a man and a woman and all the social pressures we use to push for this, is because we fear a guy who is a stud who will do better with many women, and likewise, women fear other women luring their men away and so on. The strict adherence to our traditional marriage customs is the "evolutionary stable strategy" that pleases the most, and might have helped create the most stable social order.

The ideologies which we adhere to have a lot to do with incentives and how we see ourselves succeeding or failing given the world lived according to such ideologies. For example, if you see yourself as being very beautiful with a killer body compared to others, you might be ok with people wearing skimpy dresses and would be less likely to shun such behavior. If on the other hand you are fat and ugly, you might shun such behavior and have your mind inadvertently gravitate towards ideologies which associate such behavior with bad things. If you are the nerdy kid who for whatever reason never managed to absorb the much more fun culture of recreational drug use and sex, your mind might inadvertently gravitate more towards an ideology that restricts such behavior.

People who tend to be more tolerant of freedom are less likely to feel threatened by what others might do with such freedom. And similarly, people who tend to be less tolerant of freedom are more likely to feel threatened by what others do with their freedom. This applies perfectly to drug prohibition. The prohibition of drugs is a strategy for preventing others from perhaps succeeding at being more social and gaining the benefits that come from this and the history of drug prohibition clearly shows this to have been an important motivating factor.

Harry J. Anslinger, the nation's first Drug Czar, before Congress in 1937 said "There are 100,000 total marijuana smokers in the U.S. and most are Negroes, Hispanics, Filipinos and entertainers. Their satanic music, jazz and swing, result from marijuana use. This marijuana causes white women to seek sexual relations with Negroes."²¹ What was happening was that jazz music

¹ The tensions related to interracial unions between black men and white women also played a role in Hitler's views. Although most of his racism was geared towards Jews, he hated and feared blacks even more. At the end of WWI the French purposely used black Senegalese troops to occupy parts of the Rhineland which greatly humiliated the Germans and helped spike xenophobic hysteria which further helped spread the mindset that would lead to Nazism. Historian George L. Mosse writes:

"France used Moroccan and Senegalese troops in its Army of the Rhine, and when black troops occupied the city of Frankfurt- am-Main in 1920, a coordinated and massive German response was inevitable. For the first time, Germans were confronted with a large number of blacks—and in the role of occupiers. Racial fears, never far beneath the surface, were

was the cool music and blacks were just having more fun or better said, spreading a more fun environment/culture. The pretty down to earth white girls wanted to be where the fun and cocky guys were, and that was in the jazz scene, and quite naturally there were plenty of happy and high black guys looking to score. Something similar was at play in some of our very first drug prohibitions, in this case involving Opium and the Chinese that brought it over here. In San Francisco in 1875 when the City of San Francisco passed the first laws aimed at prohibiting drug use.

“The roots of this ordinance were racist rather than health-oriented, and were concerned with what today is known as "life-style." Opium smoking was introduced into the United States by tens of thousands of Chinese men and boys imported during the 1850s and 1880s to build the great Western railroads. The Chinese laborers then drifted into San Francisco and other cities, and accepted employment of various kinds at low wages --- giving rise to waves of anti-Chinese hostility. Soon white men and even women were smoking opium side by side with the Chinese, a life-style which was widely disapproved. The San Francisco authorities, we are told learned upon investigation that "many women and young girls, as well as young men of respectable family, were being induced to visit the [Chinese] opium-smoking dens, where they were ruined morally and otherwise”²⁰

While we are at this, let's quickly discuss why the drug war is so awful and unwinnable. Economics and our inability to understand the workings of the modern world play a key role here as well. In a simpler tribal world, if you had a drug problem like we do today and wanted to get rid of it by killing the bad guys, you would gather the necessary resources, which would be synonymous with increasing taxes to fund the drug war today, find the bad guys, kill them, problem solved. So in today's world we create our government tentacle/bureaucracy and get it to root out the bad guys, and believe that that will make things better at some point. But this is not what happens. Let's begin with the source of the “problem”. People like drugs, humanity has for all of mankind, this is reflected in our desire to trade money for them. Since drugs are illegal, if you sell them you can go to jail for a long time, so this greatly reduces the incentive to create and sell the drugs. The average price of a drug will tend to be the total amount of money being offered by society divided by the total amount of drugs available for sale. Since society wants the drugs, and

activated and indeed encouraged by the infant government of the new republic. The “black rape of Germany” might bring the defeated nation badly needed sympathy abroad. Even the basically decent Social Democratic leader Hermann Müller exclaimed with indignation that “Senegalese Negroes” were profaning the University of Frankfurt and the Goethe House. It was against blacks, not Jews, that the ominous accusation of “Kultuschande”(rape of culture) was first raised after the war. Racial fears were immediately linked to sexual anxieties, a common enough combination, but now increasingly emphasized because blacks were traditionally thought to be more potent than whites.” (Mosse, p. 176)

Novels would arise with stories of women being raped by occupying black soldiers, Mosse continues:

“among them *The Black Insult, a Novel of Ravished Germany*. . . published in 1922 with a preface by Count Ernst von Reventlow, one of the earliest Nazi supporters. . . The Jews were not forgotten; they were accused, together with the French, of being responsible for the occupation and for waging a “Negro-Jewish war” upon the Germans. Black troops never reappeared in Germany, for in the Ruhr occupation of 1923 to 1924 the French were careful not to use them; the fuss had been too great and too effective in winning sympathy for Germany in countries like the United States” (Mosse, p. 176)

is offering lots of money for them, and there is few drugs because it is illegal to make/sell them, the amount of money that goes to each unit of drug is very high, so the price of drugs is very high. This high price of drugs motivates people to break the law and go into the drug trafficking business, especially if you are poor or from a poorer country and can sell drugs for a high price in the U.S. Every drug bust that the police make does the following. First it incarcerates people for a long time at a cost of about \$25,000 per year per inmate. This means that \$25,000 worth of wealth will be consumed from the economic pie by everyone employed in the legal and penal system. This is a complete loss of wealth because the economic pie gains nothing as this wealth is being consumed. The loss is far greater when one takes into account the families that will be broken up, the children who will spend years without a mother/father and so on¹. Second, the bust reduces the supply of drugs which simply means that their price will go up or stay high, once again increasing the incentive for more people to get into the drug trafficking business. Third, a bust simply removes a competitor and makes it easier for a new competitor to sell the drugs. So a cycle that never ends takes place. Drug traffickers enter the market to exploit the high profits caused by the high prices offered for drugs, busts are made which remove competitors at a high cost to society and drives up the price of drugs, which motivates new competitors to enter the drug trafficking business and the cycle just continues like a tsunami wreaking havoc on the social order, consuming more wealth as people are incarcerated, destroying more lives and families.

The high price of drugs is a measure of the large amount of wealth that is consumed from the economic pie by the millions of people in the drug business. The high price of illegal drugs pays for the drug dealers who work many hours just to secretly move small amounts of matter/drugs; it has to pay for the bribes of officers, complex concealment of shipments, weapons, etc. This is why a kilogram of cocaine might cost \$200 to create in a Bolivian jungle yet sell for \$20,000 in New York City. The \$200 pays for the consumption of all the things the farmers in Bolivia need to live, the other \$19,800 help sustain the aforementioned dealers, mercenaries, corrupt politicians/police and so on. If drugs were legalized, no wealth would have to be consumed by such activities thus lowering their price to that of your average multivitamin. Instead of having millions of people consuming billions of dollars worth of wealth as they made a living doing the expensive aforementioned activities, you would simply get a small increase in the people employed in the pharmaceutical and agricultural industry. People would not make a living by growing pot in their houses because they would not be able to sell the pot profitably due to competition from large and modern agribusiness. These people would be employed in other areas helping further increase the economic pie.

Since alcohol consumption has been wildly popular and desirable for thousands of years, when the US prohibited it in 1919 huge sums of money were to be made by those who broke the law in order to satisfy the

¹ I am reminded of one of the countless drug busts we get to see in TV programs these days. Several police cars caused a horrifying commotion in a street as they surrounded a pickup truck and drew their guns ready to fill the truck with holes at the slightest sign that their heroic and productive lives(just kidding obviously) might be in danger. There was a pause, and out of the truck came an average looking guy, his wife, and their little girl who looked to be about 4-5 years old. They found some drugs, off to jail, girl loses parent.

desires/demand of millions of Americans. If law enforcement does a good job at catching alcoholic beverage producers, that just means that there will be even more money available per unit of beverage thus a higher price, this process guarantees that eventually the price is high enough to pay bribes to police. Cops have an incentive for things to be illegal because now they can make extra money by just looking the other way and the fact that there will be a higher demand for cops to fight the illegal activity; it is a win/win situation for law enforcement. So eventually the price gets high enough to lure cops to break the law. If the cops are incorruptible that just means that the price gets higher until eventually it is profitable to begin killing cops too. The bottom line is that making anything illegal guarantees that you will create an illegal market(a 'black market') for it which WILL ALWAYS EXIST!!! Whether it is drugs/alcohol/prostitution/gambling/etc., all that prohibition does is inadvertently skew or morph the social order in consumptive/expensive and disastrous ways. Whatever product is prohibited is also deteriorated in various ways. Drug traffickers, in order to increase their profits often times dilute the products to various degrees creating drugs with different potencies. Sometimes a drug user overdoses because he/she expects a lower potency but ingests a higher one. If drugs were legal they would be of good quality with labels that properly described their potency just like current alcoholic beverages. Again, they would be very cheap, few people would be in financial stress due to their habit. Families would not be bankrupted or broken apart due to the financial stresses that the current high cost of drugs place on some people. Prostitution²¹ would be cleaner, safer, free from violence by pimps, police, or customers. I already discussed why we might fear or dislike people going into prostitution but these dislikes can still be remedied via freedom and things like shame, and thanks to the internet a reputation that really sticks with you. But this is assuming that society continues down the path where for whatever reason we want to ban or feel negatively affected by the freedom of other people to do certain things. Freedom is what is needed to discover the superior alternative and culture. Ok, I'm getting a little off topic here so back to drugs.

Meet Doug, a 28 year old computer programmer, who uses cocaine about once every couple of months at parties. Like your average recreational drug user, he is not some desperate, jobless, petty criminal living from high to high. He is an average human being who has ambitions, a family, and a productive job that adds wealth to society. He just wasn't a nerd who bought into the whole "fear" of drugs when he was in high school. He had good friends that did it from time to time, they seemed to be enjoying life better and were in control of what they were doing. They were happier, more relaxed and confident, which made them more attractive to the girls. The girls enjoyed being with happy cool guys and the guys enjoyed the girls. They had more sex and fun. Ohh, and Doug didn't buy the cocaine from some sinister "evil" person who commits thefts or robberies or harms anyone in any way; he bought it from his friend Antonio who sells as a way to supply his friends and to supplement the income from his day job at the local auto-parts store.

It is ironic how today's baby boomer generation politicians play the fear card, trying to get America's youth not to do drugs, when so many of them did them in their youth(Gore, Bush, Clinton, Gingrich, Obama...). The real reason why politicians have to seem so tough on drugs, is because they have to appeal to that large segment of the population that is resentful, or a

bit fearful, of the fun others have. These people have an additional incentive to gravitate towards more religious fervor than others. It should be no surprise that drug prohibition seems like a bigger deal to the Conservative/Republican party masses who portray themselves as being more religious. I'm not saying that all people who are for the drug war are these resentful people, or that religious individuals are of this type. Many people envision the real dangers which drug abuse might lead to and want to help prevent them. I just want to bring attention to this important "competitive-behavior-suppressing" role that in many ways our religious institutions have evolved to carry out. Something similar to this but in a greater scale took part during the Iranian Islamic Revolution of 1979. Prior to the revolution, many in Iran had been westernized to the point where it had many bars that sold alcohol, discos, cinemas that even showed nudity, and was in many ways indistinguishable from Europe. But eventually a pent up resentment and various other factors (more on Iran later) exploded in the revolution and such symbols of "decadence" were burned down and destroyed. Who knows, if the Hip-Hop world keeps growing and too many black men keep scoring with the white ladies the US might have a great Christian Revolution.

So Doug gets stopped for a broken taillight and eventually busted for carrying 10 grams of cocaine and gets a mandatory 5 year sentence. The social order now loses Doug's productivity as a computer programmer plus \$125,000 in wealth like cars, homes, food, etc., that will have to be consumed in order to feed and clothe for 5 years²² an ever-expanding U.S. criminal-industrial-complex made up of inmates, jailors, cops, jail building companies, etc. From 1984 to 1996, California built 21 new prisons, and only one new university²³. In 2006 there were a whopping 1,889,810 drug related arrests²⁴, of which almost 830,000 were related to marijuana²⁵, which is relatively harmless, and much less so than alcohol. Just try to imagine all the wealth that is consumed from society as we feed, clothe and equip the criminal-industrial-complex as it does this useless function. There is also Elena, a high school mate of Doug's who due to upbringing and many other factors was not one of the popular girls who had enough common sense to do drugs responsibly and grew up resentful. Her ideology drifted more towards those of people who think drug users are "bad" people, and are more inclined to think/wish that there is something "wrong" with them. She got a degree in psychiatry and counseling and became a psychiatrist at our jails, "counseling" people like Doug, helping them overcome their "problems" which turned them to drug use. Angry and distraught, one day Doug told Elena to go to hell and later in the day he threw a temper tantrum where he destroyed some of his cell and threw stuff outside between the bars causing him to lose even more freedoms. But fortunately for Doug, Elena felt like she was a caring woman and wanted to give Doug a chance to regain his freedoms. She told Doug that "the reason why you are having these irrational bursts of anger is because you might have a chemical imbalance in your brain which perhaps even played a role in your initial drug-use. Just do the right thing and take these medications which will help you with your attitude and you will get your freedoms back Doug. But you have to be reasonable Doug, I am here to help you but first you have to help yourself by doing what you know is right."

I once met a woman who was getting a PhD in psychology and

wanted to do her doctoral dissertation in children with mystical powers. She told me that even if it seems a little far-fetched she had read a lot about them and research needed to be done to verify such things and what could be learned from them. She had a high-paying part-time job counseling people in a Miami jail, helping them understand why theft was bad and overcome whatever was “wrong” with them. Doug and countless others, have to agree and admit that there is something “wrong” with themselves in front of the Elenas of the world, who make up the majority of our parole boards and employees of the criminal-industrial-complex.

One should also keep in mind that if a taxpayer refuses to pay the taxes that go to feed this socially destructive drug-war, the taxpayer will be locked up too, causing yet another \$25,000 per year to be further consumed by force from the social order to feed an army of politically correct zombies.

One of the examples of our current drug laws’ more blatant racism comes from the discrepancy in sentencing between being busted for crack cocaine and powdered cocaine. Crack cocaine is cheaper and more predominantly used by lower income blacks yet the punishment for using crack is much more severe. For example, you might get a mandatory 5 year sentence for carrying 5 grams of crack cocaine, yet you would need to carry maybe 500 grams of the powdered cocaine to get hit with same sentence. As mentioned in drugwarfacts.com :

“In 1986, before mandatory minimums for crack offenses became effective, the average federal drug offense sentence for blacks was 11% higher than for whites. Four years later following the implementation of harsher drug sentencing laws, the average federal drug offense sentence was 49% higher for blacks.”²⁶

There was a time when kids could go to drugstores and buy anything and people could take any substance and people weren’t all high and unproductive. Few people would consider jailing a grown man and taking him away from his children and job because he abuses alcohol and gets drunk from time to time at parties in responsible ways, yet someone who does a little cocaine or heroin is somehow treated different, as some sort of irresponsible ‘evil-doer’. If drugs were legal, instead of having mostly just alcohol, people would have more choices and the normal consequences and incentives related to their use would ensure that they would be used responsibly. Consequences are all that we need to help mankind discover how to best go about utilizing its freedom. The bottom line is that drugs don’t screw people’s lives, it is getting busted and the financial and other stresses that the drug war causes as well as the socioeconomic problems people have that lead them to abuse drugs in the first place.

From sub-human negro to the nigga so many want to emulate and “player hate”

Today’s popularity and confidence of black men and hip-hop culture is a great example of how the ever-changing pages in our cultural books play a key role in defining how we see things. Over time, the associations made with black men inevitably changed, especially as they became pioneers in everything that is “fun”, and by today, if blacks have a more seeming

resemblance to apes, it just means that they make the apes look good, probably better than some “white boys”. A hundred years ago the last thing black people wanted, was to be mentioned in the same sentence with apes, but today there is a popular hip-hop oriented brand name of clothing, BAPE(A Bathing Ape), which uses an ape for its logo and is worn by many African Americans and endorsed by such Hip-Hop stars like Jay-Z and Lil Wayne. Let's briefly go over how this transformation has occurred.

African slaves brought with them a culture which was more tribal and thus more in tune with our nature. Compare the sort of stereotypical Puritan values of early English settlers which constantly praised hard work and shun fun/sex to the more tribal African culture of being semi naked, dancing and having sex.

“By the colonist's standards, the sexual morality of the slaves was so low as to be out of sight... Most planters in the eighteenth century did little to discourage this promiscuity. It was not that planters thought they were breeding slaves. Slaveowners acquired valuable young Negroes not by forcing their slaves to mate (clear instances of this being very rare) but by doing little to interfere with frequent sexual intercourse among slaves... In the long run, especially after the Revolution, slaveowners succumbed to the implications embedded in the fact that they had enslaved men and not animals, and, working against the logic of slavery, planters tended increasingly to recognize and even to encourage permanent familial relationships among their slaves. Despite this gradual cultural assimilation, though, the implications of Negro promiscuity sank deeply into the white man's mind and provided further confirmation of the Negro's special sexuality.

The sexual leitmotif in the relations between the two races was further emphasized and sustained by a simple fact of mundane life: slaves often wore little clothing, sometimes very little. Africans had somewhat different standards from Europeans as to what parts of the body required a covering of modesty; most slaves lived in warm or tropical climates, and any clothing worn by slaves had to be paid for by their masters. The result was sometimes an atmosphere of semi-nudity.” (Jordan, pp. 160-1)

Blacks were slightly ahead in terms of athleticism but what remained of their African cultural influence also put them ahead in terms of a sort of more “fun” culture. Their African cultural norms did not have the many rules that restricted our more carnal instincts, they were not exactly ‘Victorian England’-type morals which might have played a key role in building civilization at the time and helped carry Europeans to dominance. Some of these elements were kept alive in their culture and music. These cultural elements roughed up and livened up classical music instruments and led to ragtime and Jazz, which amongst other influences led to Rock and Roll and so on. At the core of much of the life, energy, and bravado that various musical genres that have evolved from African American influence, I believe that one can find this relative physical superiority being a subconscious motivator(I know these are rather vague and abstract words). There is an additional action, or swagger, or liveliness to the contribution of African Americans to music. They did not take classical music and slow it down or made it more serene, they gave more movement, more action, they transformed it in a way that

better suited the lively movements of bodies and their athleticism. If blacks would have been smaller and weaker in comparison, I doubt that their musical influence would have been as lively and full of movement as it was.

While under slavery, not only was there the obvious torture/exhaustion associated with it, there was also a system that prevented the proper existence/function of the family, and also contributed to the creation of a character which was in some ways dependent on slavery itself and ill-suited to freedom and self-reliance. For example, Sowell writes:

“With many generations of discouragement of initiative and with little incentive to work any more than necessary to escape punishment, slaves developed foot-dragging, work-evading patterns that were to remain as a cultural legacy long after slavery itself disappeared. Duplicity and theft were also pervasive patterns among antebellum slaves, and these too remained long after slavery ended.” (Sowell, p. 187)

... “As workers, blacks had acquired little sense of personal responsibility under slavery. Lack of initiative, evasion of work, half-done work, unpredictable absenteeism, and abuse of tools and equipment were pervasive under slavery, and these patterns did not suddenly disappear with emancipation.” (Sowell, p. 200)

...In the decades immediately after emancipation, when blacks first became responsible for their own health, death rates among Negroes rose from what they had been under slavery. But as later generations of blacks became more experienced and acculturated, their death rates declined absolutely, and the large gap between black and white death rates also narrowed. (Sowell, p. 212)

...“The masses of uncultured, ill-educated, rural southern Negroes who flooded into the northern cities were bitterly resented by blacks and whites alike. The Negro middle class and the northern Negro press denounced them as crude, vulgar, unwashed, rowdy, and criminal and as a menace to the standing of the whole race in the eyes of the larger white community.” (Sowell, p. 211)

Frederick Douglass said a few words that carry more wisdom than anything coming out of the mouths of all American psychiatrists combined: *“Men are so constituted that they derive their conviction of their own possibilities largely from the estimate formed of them by others.”* During slavery, long after, and probably still to this very day, many black people felt that they in fact were inferior to whites. This was just inevitable given that all the technology, the ability to read/write and just about everything that was much more advanced compared to what blacks had achieved was associated with white people. Racism was strong not just between blacks and whites but between blacks and mulattos, or the lighter skinned blacks, who had an easier time absorbing or fitting in with the white aristocracy/culture most felt was superior. According to Sowell:

“The folk culture of the black masses—spirituals, jazz, dialect—was rejected by the elite in favor of the more aristocratic elements of white American culture. Color differences within Negro population became social barriers, erected by many of the same people who first led the NAACP’s fight against color barriers erected by whites. This apparent inconsistency was, however, quite consistent when seen as an attempt by the Negro elite to join the larger American elite from which it was excluded solely because of race. But the

moral and political claims that might enable them to do so had to rest on democratic rhetoric and on their role as spokesmen for the whole race.” (Sowell, p. 206)

Given that blacks are better athletes, and for socioeconomic factors already briefly discussed, it makes perfect sense that this would lead to an increased advantage when it came to using violence towards those that might be smaller and for those who are smaller to instinctively be weary of the tougher people. There was a time when New York City had Italian, Jewish, and Black ghettos, but blacks, being the physically superior ones as well as the ones with less to lose, naturally rose to be the kings of the ghettos. Norman Podhoretz, a Jewish man who is one of the top so called Neoconservatives during the Bush Jr. Presidency, discusses his experiences while growing up in a Jewish ghetto in this multi-ethnic NYC during WWII(1939-45):

“To me, at the age of twelve, it seemed very clear that Negroes were better off than Jews—indeed, than *all* whites. A city boy’s world is contained within three or four square blocks, and in my world it was the whites, the Italians and the Jews, who feared the Negroes, not the other way around. The Negroes were tougher than we were, more ruthless, and on the whole they were better athletes.”²⁷

Let’s face it, for most of our evolution if you were bigger or had an advantage you took it, if you were the smaller guy you owe your life to the fact you feared and played it extra carefully when dealing with the bigger guy. During our millions of years of evolution we have played both cards all the time. This is why all men, regardless of their size or ethnicity can both be chickens and scared, and dominant and brutal, we just play our cards when it suits us.

It is common for one to hear things like blacks/Hispanics/whites/Asians are this way or that way which is nonsense. If it seems like people are beginning to pigeonhole themselves into certain stereotypical behaviors it is because that is a new emergent pattern that we are settling into as we deal with each other. All human beings have spent too much evolutionary history together, in other words, our genetics is too similar for any significant differences to cause the *behavioral differences* we often times use when we stereotype populations/races. As it is in the United States, Asians, given their smaller stature compared to whites and blacks, are more likely to be pigeonholed as the smart nerds, but there was nothing nerdy about the Mongol empire raping and looting during the 13th and 14th centuries as it conquered the largest continuous piece of land mankind has ever done. Here I am referring to behavioral differences, not physical, because obviously those do exist.

Let’s fast forward and get to the recent evolution and development of Hip-Hop. Hip-Hop, whatever its exact roots might be²⁸, has mostly evolved from black inner-city ghettos. When one looks at its evolution, it is easy to look at the early artists and attribute to them the creation of this movement but it is not so much the individuals who created the movement, it was a complicated mixture of socioeconomic factors and history which led to the environment and “lemons” which eventually found themselves in various artists’ minds and led to the Hip-Hop “lemonade”.

There is probably no tougher environment in America than black ghettos. At a certain level we might rationalize that guns and gangs are counterproductive to society, but at a more instinctive level being successful in this world is very appealing to our manly instincts and a great source of confidence and pride. The man who reaches the top and survives in this tribal world, where the law and cultural norms which have also evolved to check the power of the strong for the benefit of the weak and the larger social order are lacking, gains a great sense of confidence. As rapper Busta Rhymes tells us in his song "In The Ghetto":

"That's where I ... Get my instincts and survival tactics

Ain't nuttin like the hood nigga, I don't care

You surviving in the ghetto you can make it anywhere"

The source of confidence and pride that comes with being tough enough to survive in the ghetto helps with the ladies as well. A once popular song titled "Soldier" by group "Destiny's Child" provides a good example:

"If his status ain't hood

I ain't checkin for him

Betta be street if he lookin' at me"

In any environment the people who are looked to are the ones that excel and survive in it, their mannerisms and gestures are the ones that are mimicked by the young minds around. This is sort of obvious; rapper Ice-T's video for his rap classic "Hustler" comes to mind. The video begins with three young black kids bouncing a basketball around. One says he wants to be a pilot when he grows up, the other says he wants to be like Michael Jordan, but the third says "I want to be like them across the street" pointing to Ice-T and his gangsters.

Inner city ghettos are tough, but jails can be tougher, they offer an even more concentrated environment of people who are more likely to use violence to get their way. It gets even closer to "survival of the fittest" and the fittest members to survive in this environment are blacks and statistics on things like prison rape provide good evidence of this. As reported by Human Rights Watch(hrw.org):

"Overall, our correspondence and interviews with white, black, and Hispanic inmates convince us that white inmates are disproportionately targeted for abuse. Although many whites reported being raped by white inmates, black on white abuse appears to be more common... Some inmates, both black and white, told Human Rights Watch that whites were generally perceived as weaker and thus more vulnerable to sexual abuse. An African American prisoner, describing the situation of incarcerated whites, said:

When individuals come to prison, they know that the first thing that they will have to do is fight. Now there are individuals that are from a certain race that the majority of them are not physically equip to fight. So they are the majority that are forced to engage in sexual acts."²⁹

So again, more evidence of superior toughness, which leads to more attention grabbing/spreading swagger.

Black ghettos might have been the most important breeding ground for Hip-Hop; but: what created the ghettos and the tribal/gang/crime ridden environment which selected for such toughness/machismo and the culture it led to? Various economic policies and the incentives they inevitably create; economic policies created by the stupid white men who probably hate Hip-Hop the most, white congressmen. Actually, black political leaders too as we have already discussed. The most important culprits are, once again, the so called 'War on Drugs', minimum wage legislation, various welfare schemes and a whole lot more. Yet again, minimum wage laws essentially dictate that if you cannot help someone/employer produce wealth at a rate greater than the minimum wage¹ then no one will find it in their best interest to hire you. According to Washington Post columnist Frank Ahrens³⁰, black teenage unemployment for November 2009 was a whopping 49.4%, so basically half of the black teenage population cannot find a job. And this is a national average; some cities have even larger black teenage unemployment. If there was no minimum wage legislation, as well as no legislation preventing teenagers from working, teens or high school dropouts would be able to integrate themselves into the labor force and make much better use of their time in terms of learning useful skills and more importantly, shaping a productive and self-reliant attitude, which is basically all that is needed to succeed. This would make the dismal state of America's public education system that much more obvious and help lead to its abolishment, but the combination of high minimum wage and laws restricting teenage employment keep teens, especially black teens, in an unproductive and risky path while gaining little in terms of productive knowledge/habits.

If you can't find a legal job because of the aforementioned reasons, thanks to the artificially high price of drugs² you have much more incentive to go into the drug business or committing theft and other real crimes. Eventually they get busted and go to jail where instead of having their character be molded by the market process and its productive/cooperative incentives, it is molded by a tribal environment that selects for toughness/machismo and other traits that do not lead to increased production in the free world. Now with a criminal record and little in terms of valuable productive experience it gets even harder to find employment making the world of drug dealing and criminal activity that much more appealing given the available options, thus leading to a cycle of law-breaking and prison/parole that is very hard to break and traps millions of blacks.

Next let's add the effect of the various welfare schemes. Due to both biological factors and cultural ones, women are more suited to childrearing

¹ 7.25/hour is Federal minimum wage as of March 2011

² Again, if it weren't for the illegality of drugs, they would be produced in large quantities by a small amount of the population employed in agriculture/pharmaceuticals and their price would be similar to that of multivitamins. No one would have to steal to afford habitual drug use, and there would be no turf wars trying to control or monopolize areas to sell drugs. Walgreens and CVS don't try to kill each other to gain customers for their drugs.

which makes the man have a better role as the “breadwinner”. The various welfare programs inadvertently reduce the value of a hardworking man and the morals/values which help create one. If a teenage girl with a single child had to fully deal with the consequences and expenses of raising a child she would be far more selective of the type of man she had sex with, one who could provide for a child, which means one who has the values and productive morals needed to get and keep a job and stay out of trouble. But with the government providing this financial function, it makes it a lot easier to fall for the football/basketball star or tough guy and so on. This also puts more pressure on men to be more like the athletes/ballers/etc. in order to score with the ladies as well.

There are also the more obvious economic incentives associated with welfare. People who can get by with welfare have little incentive to get off it. Some people might be brainwashed with this whole bullshit about it being immoral if you don't really need it, but most people are too smart, especially if you are from the hood, to fall for such silly brainwashing. Let's say you are getting \$1,000 per month in various aids because you don't have a job or whatever. If you get a job that pays say \$1,500 per month but lose your aid you are really just working the whole month for an increase of \$500 while you could get \$1,000 for doing nothing. I know plenty of professionals who have lost their jobs and are milking unemployment/welfare as much as they can.

With the rise of various welfare schemes and the war on drugs the black family began to break apart. In 1940, a time when there was far more racism and legal barriers for blacks, less than 15% of black children were born to unwed mothers, by today over 70% of black children are born to unwed mothers. Not having a male figure who can better discipline a young male is yet another factor that helps spread the tribal-tough-nigger attitude which gets so many young blacks into trouble. The tribal-tough-nigger attitude is also incompatible with modern fatherhood, part of being the alpha male is doing very well with the ladies, the more the better. This might appeal to our manly instincts but helps spread various socioeconomic problems.

Then there is, again, black's superiority and utter dominance in sports. Little needs to be said here; black athletes dominate basketball³¹, football, golf with Tiger Woods (at least for a long time before his recent marital troubles). In female tennis, with the exception of a few admirable adversaries, the Williams sisters have dominated the sport during the last decade. The athletic superiority in sports naturally marries itself with Hip-Hop culture. The Hip-Hop lingo is intertwined with references to sports. Popular phrases like being a “player” and having “game” are perfect examples. The culture of sports does teach some good/productive morals at times. Fans of the NBA and NFL are constantly reminded of how it is all about business and competing, we see players make lots of money when they are good, we see coaches get fired, we see trades. Yet this pales in comparison to the socioeconomic damage that this does to most people who will never make it to pro sports and spend their lives excelling at something that has little market value. Your average athlete, even the very good ones who get scholarships, get useless watered-down degrees which makes the whole college experience a waste of time and adds more people to the millions of “educated” Americans who can't find jobs, people who then cry for more government help to solve problems thus taking society one step closer to Socialism and the situation we currently find ourselves in.

Thus far we've gone over some of the factors involved in creating the sort of swagger/machismo attitude that is at the core of Hip-Hop but how did this culture come to become mainstream? How is it that rappers who grew up in ghettos became the symbols of what is cool? One of the things that helped was public education. Public education became the main medium where this transformation occurred. Public schools are where most Americans send their kids and parents have little control as to what sort of culture is promoted or tolerated in such schools. There was a time when it was very easy to expel a troublemaking student, or one whose attitude/morals or whatever the case might be went counter to whatever ambiance/culture parents wanted to have in the environment where their children went. But this is nearly impossible to do in public schools. Root causes like the aforementioned high minimum wage laws and regulations that make employment of the less-skilled more expensive, the drug war, and the various welfare schemes are like a continuous flame that burns the black community as well as all Americans in general causing all sorts of side-effects. The increasing dominance of black athletes also played a role. Another and more obvious crucial factor is the fact that rappers and hip-hop musicians created great music about topics that are very appealing like sex, power, etc. When I first came to the U.S. and entered the 5th grade, in a matter of months I was hooked on Miami's own "2 Live Crew" and future rappers like the growing generation of Americans at the time and since.

Black comedians are the real black intellectuals

In order to understand race in America one can take America's political correctness, economic ignorance, wishful thinking, psychobabble, and mix it up really well to create a cocktail of bullshit reasons, or you can simply watch black comedians tell you the real truth about race in America.

Examples of this wisdom can be seen in Chris Rock's many great and down to earth performances. In his "Bring the Pain" performance he classified African Americans into two groups, the niggas and regular black folks. He joked that:

"There is black people, and there is niggas...and niggas have got to go!... Can't go to a movie the first week it comes out, why? cuz niggas are shooting at the screen... I love black people but I hate niggas... boy I wish they'd let me join the Ku Klux Klan. Shit, I'd do a drive by from here to Brooklyn...Niggas always want some credit for shit they're supposed to do... a nigga will say some shit like "I take care of my kids!", you're supposed to you dumb mother fucker!... "I ain't never been to jail", what!, you want a cookie?! You are not supposed to go to jail you low-expectation-having-mother-fucker!... If you're black, you get more respect coming out of jail than you do coming out of school... "Hey man, I got out of school, I got my Masters" "So what bitch. You punk ass bitch!... So I'm supposed to listen to your punk ass now! Fuck you nigga, fuck you. So what you gotta masters. So what you gotta fucking masters... Let me ask you this, let me ask you this. Can you kick my ass?!?!?"³²

In his "Never Scared" performance:

"During slavery they used to take the biggest, strongest slaves and breed them And try their best to make big, strong, superslaves... There is evidence of that today like the NFL... The NFL stands for "Nigger Fucking Large"... This is why black people dominate every physical activity in the United States of

America... We're only ten percent of the population, we're 90% of the final four. We fucking dominate all this shit... Basketball, baseball, football, boxing, track, even golf and tennis. As soon as they make a heated hockey ring we are going to take that shit too... Mother-fuck Wayne Gretzky! Wait till you see LeBron in some skates!... He ain't even gonna have a stick. He's gonna smack the puck with his dick!"³³

As Chris mentioned these things, the largely black audience cheered and agreed.

Why would "Niggas always want some credit for shit they're supposed to do"? I think the answer to this question has something to do with the following: If you were a millionaire and could afford to have servants do your laundry and other things that we usually have to do out of necessity, and all of a sudden, while still being a millionaire, you now have to do the laundry yourself and forego all of these other enjoyable things that you could be doing, wouldn't it be a bigger sacrifice for you to do laundry than for the average person who does not have better options and is already used to the tedium of doing laundry? The point I'm trying to make is that it makes sense for the 'nigga' to feel more pain for doing the things the average person has to do because he usually does not have to do them. Deep down inside, for various reasons already hinted at, he thinks he is superior or has got more "game" than others which means someone else down the pecking order should be doing this. We are all susceptible to this sort of mentality. Chris Rock's stereotyping of African Americans into regular black folks and niggas is not really about people, it is more about a mindset. The 'nigga' mindset can just as easily be referred to as the alpha male mindset. It is a mindset which everyone can relate to regardless "race".

Hip-Hop's capitalist mindset and tolerance of human nature

The 'nigga' mindset and many of its cultural elements is one that has spread to millions of Americans and people all over the world to various degrees as Hip-Hop culture spreads. One of the great benefits of rap/Hip-Hop culture and the spreading of the 'nigga' mindset is the strong sense of individualism it carries. Rap/Hip-Hop is very much about the individual, about individual greatness and success, about the individual/rapper having "game" and succeeding, competing, outperforming others, and standing up for himself. Whether it be Ludacris singing about having "hoes in different area codes" or LL Cool J about how "I'm gonna knock you out", the sort of primal confidence that comes from succeeding in the ghetto and womanizing fills the mind that absorbs Rap/Hip-Hop with a certain sense of confidence which is one of the reasons why it is so appealing to minds everywhere. This strong sense of individualism inevitably helps shape a mindset that is very susceptible to Capitalism/Libertarianism and I believe has been inadvertently preparing minds everywhere for the pro-Capitalism/freedom revolution we are currently, or very soon about to experience. Hip-hop is a crucial element in helping spread pro-freedom protests via the Internet across the Middle East in early 2011³⁴. You simply cannot absorb the confident 'nigga' mindset and at the same time believe or act like you are not on equal footing with others, or be tolerant of a government or any entity messing around with your property or freedom. At its core, Rap/Hip-Hop is very libertarian. This does

not mean that Rap/Hip-Hop stars consciously preach Capitalism which one might expect if what I just said were true, because as far as I can tell right now that is not the case. Actually, popular acts like the Black Eyed Peas show hints of communism by having one of the lead singers, Will.i.am, wear a red shirt with the letters CCCP (letters used to represent the former communist Soviet Union) prominently displayed¹. I believe this happens because economic ignorance is currently too powerful to allow the pro-freedom/individualism attitude in Rap/Hip-Hop to really push the culture in a more conscious pro-Capitalism direction. The Hip-Hop world is still too influenced by the aforementioned reasons as to why the black community is particularly susceptible to Socialism... But this can change in a heartbeat. And once a few rappers or stars like Lady Gaga start rapping/singing and dissing the economonrons at the Federal Reserve, the revolution will really transform America in a matter of months.

Another great benefit of the spread of Hip-Hop culture is its tolerance of human nature. When you grow up listening to rap/Hip-Hop you quickly become accustomed to the potential of men to be dogs, women to be bitches and a whole lot more. Take for example the following lyrics from Hip-Hop pioneers 2 Live Crew in their song "Pop That Coochie":

"I like the way you lick the champagne glass
It makes me wanna stick my dick in your ass
So come on, baby, and pop it quick
I fall in love when you suck my dick"

If you grew up listening to Hip-Hop these are just the lyrics to a song about fantasizing about being all powerful to the point where beautiful women can fulfill whatever desire enters your mind, and is not a song created by "evil perverts" which perhaps someone who did not grow up to absorb Hip-Hop might think. I believe that a culture that accepts human nature for what it is and then works to deal with it is preferable to a culture that simply labels people as good/evil/sinners. And in this sense Hip-Hop radiates a truth about human nature which spills into other areas. If we think about different musical genres; which is the one we associate the most with being more honest or in other words, "keeping it real"? I think Hip-Hop would come to mind more than others. I think that in some ways, the confidence black men have for reasons already discussed has helped them express themselves in Hip-Hop and thus give it that "keeping it real" aura. A cocky mindset which evolved due to the toughness of blacks and their dominance of ghettos and sports, as well as a righteous indignation over mistreatment, is spreading to non-black minds and filling them with the same sense of confidence and individualism. If you want to say something and be taken seriously these days, one can see why having a black guy who has absorbed the Hip-Hop "keeping it real" mannerisms is a very persuasive way of spreading a message which is obviously one of the reasons why Hip-Hop stars and music play such an increasing role in commercials.

¹ See the Black Eyed Peas video for song "Don't Lie"

The “n” word

Rap/Hip-Hop and black culture as well as American culture in general just wouldn't be the same without this word and its sort of evolution reveals other important aspects of human nature. To understand the important role of this highly controversial word we have to answer a bigger question, why do we like to say and pepper our speech with “bad words”? The answer to this question might be related to our desire to show off and seek attention. If for whatever reason you have power one way to show off your power is just to break the rules. We know that social rules are there to more or less curb selfish actions and help maintain an egalitarian order, and it is in our immediate best interest to break these rules if we can get away with it. If you can break the rules and get away with it you have power. Altering words by pronouncing them differently or modifying them in other ways can also have its roots in the same attention/showing off kind of way but it is also yet another way in which we identify with groups.

Men want to be bad, we would love to have the power to push other guys around and have all the girls to ourselves and it is very common to have sayings like “I'm a badass” to represent positive qualities. This type of transformation is the same one that has occurred to the word nigger. At one point it was used to describe black people with a subhuman connotation but my guess is that the word's meaning and application changed from applying to say a lazy or ignorant nigger to a nigger who is lazy and ignorant because he can afford to be one for whatever reason. Again, what has just been discussed with respect to Chris Rock's performance comes to mind¹. Some black people “take offense” to white's usage of nigga/nigger but this is often times used as a way to bully whites and find an excuse to exert power over them. White people use it for the very same reasons blacks do, the word is an integral part of the current cultural symbolism. Hip-Hop culture is, well, cultural and not genetic, although it has grown out of black ghettos and most associate it with blacks, it can be just as easily absorbed by minds controlling bodies with different skin tones. I am reminded of a time I visited Nashville, Tennessee and went to a nightclub there. Some country music was playing when I got inside but when a hip-hop song came up I remember this white guy, with cowboy boots and hat and all, who made a seamless transition to hip-hop dancing and had every mannerism and gesture down. Again, Hip-Hop is a cultural book, one that can be absorbed by any mind regardless of race, it is true that for various reasons it is more difficult to find non-blacks who have assimilated it well but obviously these people abound. As this book goes to press one of the most famous rappers is the blue-eyed fellow Miami Cuban who happens to have gone to the same high school I went to, Pitbull (Armando Christian Pérez). The colorlessness of Hip-Hop culture as well as the word “nigga” was described by long time Hip-Hop performer/activist KRS-One who on April 29th, 2007 while talking to Fox News commentator Sean Hannity said:

“In hip-Hop it doesn't matter, we don't see race or ethnicity or any of that for the most part. That's why everybody is basically a nigga”

¹ See <http://goo.gl/4WpH> for a great video on the n-word and black/white relations in general from the popular comedic website theonion.com

Many blacks also refer to their white friends or anyone else depending on the context as niggas, once again showing that the word is just part of the culture and only people who have a special axe to grind use it to bring up whatever resentments or concerns they have. Others like black leader Jessie Jackson have gone on small crusades trying to prevent the word from being used by both whites or blacks because they believe that somehow the usage of the word has to do with creating a bad self-image and who knows what other psychobabble that supposedly harms the black community. But this is obviously nonsense, a word and whatever meaning it carries, which for the most part can be translated to dude/friend/dummy/etc. depending on context, has little impact on what really causes the socioeconomic problems African Americans are facing, those causes being the economically ignorant socialist policies both blacks and whites help bring about.

White guys who have mojo grew up with different cultural symbolism

If we look at popular white musicians we find bands like Aerosmith. I know, they are not as popular these days but they were when I initially wrote this and I'm sticking to it since it still helps make the point I'm trying to get across. The members of Aerosmith grew up and absorbed cultural elements long before the current Hip-Hop takeover. The members of Aerosmith see themselves as cool, their minds grew up making associations between what was cool at the time and how well the bodies they controlled could fit in and compete in this medium. They were successful and they gained the confidence that comes from this. Because they grew up to absorb and be trendsetters in a time where their genre was truly cool according to the current social symbolism, they sang with bravado, they really lived sex, drugs and rock and roll. Their front man Steven Tyler sings and moves with the confidence of a man who feels sexy and desirable. Superbowl XL featured a 62 year old Rolling Stone's front man Mick Jagger¹ who like Steven Tyler displayed more cockiness and testosterone than many of the younger white musicians, the old timer's minds see themselves as cool and have had a lifetime of positive reinforcement to verify this, they are relaxed and cocky and this confidence shows in their mannerisms and actions, but this is not the case with the new and current wave of white musicians. White musicians no longer rock like they used to, you don't see cockiness from the front men, you see expressions and feelings but not bravado and testosterone to the extent that black musicians have. When you do see testosterone it is an angry depressed heavy metal sound. The music has more symbolism and fantasy as opposed to Hip-Hop and black musicians whose themes are more focused on real life, real women and day to day issues and less abstract or fictional topics. For example a popular group amongst white youth at the time of this writing is Gorillaz and it is composed of fictional cartoon characters. It is as if the symbolism that competes and appeals to our minds is being filled with black derived content and many minds that live inside white people are finding comfort in more fictional environments, because the real world of real muscles and real toughness that currently shapes popular culture is dominated by blacks. Super hero movies are popular, 30+ year old Star Wars fans, many movies that deal

¹ Mick Jagger also gave his usual cocky performance at the 2011 Grammys, being 67 at the time.

with historical or mystical/medieval topics from the past where white men were the only ones around in those settings are providing the cultural symbolism that is appealing to brains housed inside white bodies. Computer games and the fictitious environment they create are also growing in popularity for many whites, games like "World Of Warcraft" where one creates a fictional self that lives inside a fictitious world are providing alternative realities. There is nothing wrong with this obviously; with the exception of spending lots of time in role-playing computer games, the above, including liking popular songs by Gorillaz are things I like as well and I think that in many ways a freer society will be one with less of the sort of machismo that is so prevalent in Hip-Hop.

It is becoming increasingly common to watch black people, especially in our new Hip-Hop dominated environment, making fun of other races, not because there is anything inherent in being black that leads to this, it is simply because black men are in a position to do so and a few other things we've already hinted at. They just happen to be the ones that are bigger and stronger than others and this naturally affects their incentives and eventually character. Like a fat ugly kid who is being made fun of in school, white people disguise their frustration by being able to "laugh at themselves", as so often happens in the various TV shows like MTV's 'Yo-Momma' and 'Wild and Out' where it is common for people to insult each other and sort of win points by having the most humiliating putdown. In shows like these it is all too common to see white people being associated with "uncoolness" and at the butt of racially motivated jokes, whether it be being unathletic, nerdy, smaller penis, or increasingly associated with being gay, this is increasingly the types of associations that are filling up the modern "cultural book" for some of today's American youth.

Recent growth in American religious fervor as a reaction to Hip-Hop?

A very attractive option which makes sense for many young minds, especially white youth's minds who don't see themselves successfully assimilating or competing in the Hip-Hop world is religion. If a growing mind calculates that the mainstream Hip-Hop culture paints a future where it does not see itself succeeding or feels like it is bad for society, religion, which shuns most of the Hip-Hop lifestyle becomes a more attractive choice. What seems to me like a large increase in Christian Rock, Christian radio stations, and religious themes to rock songs over the last decade in the USA is a result of more and more white teenage minds joining this group because it is the group that they can best see themselves shaping a future that is in their best interest. It is not just that a mind controlling a white body naturally heads in the direction of religion given the current cultural symbolism, the older generation is also more concerned about the environment where their children will grow up in so they are turning more religious than the normal trend would follow, especially as the socioeconomic crisis intensifies. Until the recent cultural domination of Hip-Hop, religious sentiment in the USA was probably in decline for many reasons, the inevitable spread of an understanding of evolution and genetics and man's continued understanding of how the world works, Elvis' swiveling of his hips(music in general) and birth control were also loosening up and changing sexual norms in America. Ultimately most

minds calculated that their happiness and what was in their best interest could safely go on this less religious path. Elvis was white, the United States and its culture and its companies and its military had plenty of symbolism associated with success related to white men. But oops, things took an unexpected turn, the Hip-Hop symbolism was born and inevitably grew and reprogrammed American minds as to what is cool, and the older white population slowly finds themselves inadvertently wanting to shape a more Christian world. Whenever one sees politicians talking about how these days we have so many bad influences and so on, anyone who is less than 35 years old and grew up listening to Hip-Hop knows that they are referring to the perceived evils associated with Hip-Hop culture. The last thing a white man wants to see is his daughter be lured by some black teenager overflowing with confidence due to the fact that all the cultural symbolism that defines what is cool in America has him as a poster boy for it. But Christian Rock and religion are not as attractive as sex and power which touch a nerve that is very attractive to our biology. Sex and its attraction has never been as prominent to youths as it is today. One hundred years ago there was no Internet full of pornography easily accessible and the social norms provided an environment where sex was not so much in the air and in the brains as to keep young people so preoccupied as it does today. White people don't come to the thought "I hate Hip-Hop and how black men dominate what is cool, I'm going to be a Christian and unite to change this balance of influence". Although this is not the thought, ultimately it is somewhat of the outcome for many, but the outcome is reached by many inadvertent little steps.³⁵ As the economy continues to crumble this sort of mindset will continue to help fuel that sort of hyper-nationalist and militarist good vs. evil segment of the American population.

Although I've just briefly speculated about how Hip-Hop inadvertently pushes a segment of white society in a more religious path, I think that the US in general has been propelled in a more religious direction throughout its history as an inadvertent way of preventing interracial sex between black men and white women. I know this sounds like a bit of a stretch but I'm sure it has been a factor, albeit a small one. And since it has been a factor it might even play a slight role in the US's unwavering and often times "Armageddonist" support for Israel and the US's numerous interventions in the Middle East.

Concluding remarks

Ok, this chapter needs more work and I look forward to expanding it in a later edition of book. Bottom line, let's abolish the war on drugs. Let's put an end to the economic ignorance and lack of freedom that has inadvertently exacerbated racial issues which would have probably completely disappeared if we had a freer society which evolved a superior culture.

¹ An idea of how dependent on government African Americans have become comes from this excerpt of an article by Patrick J. Buchanan titled "Obama's Race-Based Spoils System" 8/29/2011

"Though only 12 percent to 13 percent of the U.S. population, blacks hold 18 percent of all federal jobs. African-Americans are 25 percent of the employees at Treasury and Veterans Affairs, 31 percent of State Department employees, 37 percent of the Department of

Education, 38 percent of Housing and Urban Development. They are 42 percent of the Equal Employment Opportunity Commission and Pension Benefit Guaranty Corp., 55 percent of the Government Printing Office, 82 percent of the Court Services and Offender Supervision Agency.

According to *The Washington Post*, blacks hold 44 percent of the jobs at Fannie Mae and 50 percent of the jobs at Freddie Mac.” – <http://lewrockwell.com/buchanan/buchanan182.html>

² There is a documentary titled “Dark Girls” which documents the tremendous pressure some black women are under in. At the time of this writing the documentary is not yet available in DVD or for general consumption but the trailer says a lot. See it here: <http://www.youtube.com/watch?v=UW31Te1awVw>

³ <http://goo.gl/6r2EA> Uploaded by [donniceNcourney](#) on Jul 26, 2011

⁴ “Study reveals racial segregation in online dating” by Chelsea-Lyn Rudder <http://www.thegrio.com/specials/life-and-style/study-reveals-racial-segregation-in-online-dating.php>

⁵ Nelson Mandela’s statement at the opening of the defense case in the Rivonia Trial (Pretoria Supreme Court, April 20, 1964) <http://law2.umkc.edu/faculty/projects/ftrials/mandela/mandelaspeech.html>

⁶ I highly recommend Ilana Mercer’s book “Into the Cannibal’s Pot: Lessons for America from Post-Apartheid South Africa” <http://goo.gl/P5OP6>

⁷ Written on April 7th, 2003 <http://econfaculty.gmu.edu/wew//articles/03/power.html>

⁸ George Fitzhugh, “What’s To Be Done With the Negroes?” *DeBow’s Review*, New Series 1 (June 1866): 578,579,581

⁹ “The elementary DNA of Dr Watson” written by Charlotte Hunt-Grubbe on online magazine “The Sunday Times” http://entertainment.timesonline.co.uk/tol/arts_and_entertainment/books/article2630748.ecc

¹⁰ One of Hayek’s classics “The Counter-Revolution of Science. Studies on the Abuse of Reason” looks at the history of scientific thought and how scientists as a whole have been blind to the workings of the market process and the ways it should be studied

¹¹ Marcelle Geber and R.F.A. Dean, “Gesell Tests on African Children,” *Pediatrics* 20 (1957), 1061-1064.

¹² Kathryn Greaves et al, “Ethnic Differences in Anthropometric Characteristics of Young Children and Their Parents, *Human Biology* 61 (1989), 459-477.

¹³ J. E. Kilbride et al, “The Comparative Motor Development of Baganda, American White, and American Black Infants,” *An Anthropologist* 72 (1970), 1422-1428.

¹⁴ William K. Frankenburg and Josiah B. Dodds, “The Denver Developmental Screening Test,” *Journal of Pediatrics* 71 (August 1967), 181-191; W.K. Frankenburg, Nathan P. Dick, and James Carland, “Development of Preschool-Aged Children of Different Social and Ethnic Groups: Implications for Developmental Screening,” *Journal of Pediatrics* 87 (July 1975), 125-132

¹⁵ Jon Entine’s interview with William Frankenburg and Josiah Dodds, December 1988

¹⁶ Interview With Jon Entine from youtube channel “PracticalBioethics”. Uploaded on Nov 11, 2009 and available at <http://www.youtube.com/watch?v=hCFmEDub2b0> Quoted text begins at minute 7:45

¹⁷ Bardaglio’s footnote here reads as follows:

“The following discussion on antimiscegenation statutes in colonial Maryland and Virginia owes much to Fredrickson, *White Supremacy*, pp. 101-7; Higginbotham, *In the*

Matter of Color, pp. 40-47; and Getman, "Sexual Control," pp. 125-31."

¹⁸ The *seemingly* misspelled words 'butt' and 'also' appear in the original quote as I saw it in (Jordan, 1968, pp. 79-80)

¹⁹ For this I recommend the book "Saying Yes" by Jacob Sullum

²⁰ "The Consumers Union Report on Licit and Illicit Drugs" by Edward M. Brecher and the Editors of Consumer Reports Magazine, 1972.

<http://www.druglibrary.org/schaffer/library/studies/cu/cu6.htm#Anchor-44867>

²¹ <http://economics.uchicago.edu/pdf/Prostitution%205.pdf> Is a fantastic economic study of prostitution in Chicago

²² It costs about 25,000 dollars per inmate to maintain our criminal-industrial-complex-bureaucracy running

²³ <http://www.drugwarfacts.org/prison.htm>

²⁴ http://www.fbi.gov/ucr/cius2006/data/table_29.html

²⁵ 43.9 % of arrests were marijuana related 39.1 for possession and 4.8 for sale/manufacture

²⁶ <http://www.drugwarfacts.org/racepris.htm>

Source: Meierhoefer, B. S., *The General Effect of Mandatory Minimum Prison Terms: A Longitudinal Study of Federal Sentences Imposed* (Washington DC: Federal Judicial Center, 1992), p. 20.

²⁷ Norman Podhoretz's essay "My Negro Problem—And Ours" <http://www.lukeford.net/Images/photos/out.pdf>

²⁸ For a good overview of its history one can see the Wikipedia entry at <http://en.wikipedia.org/wiki/Hip-hop>

²⁹ http://www.hrw.org/legacy/reports/2001/prison/report4.html#_1_25

³⁰ http://voices.washingtonpost.com/economy-watch/2009/12/black_teen_unemployment_rises.html

³¹ It is interesting to note how black basketball players from the 50-60s had a playing style like that of their white teammates. The way they dribbled, shot the ball, and so on. Eventually a more aggressive, athletic, flashier style which I'm assuming was born out of the ghettos emerged and brought with it new mannerism as well. Mannerisms, gestures, and style which the mind absorbs and mimics subconsciously.

³² Chris Rock's "Bring the Pain" HBO special

³³ Chris Rock's "Never Scared"

³⁴ See "Rap music inspires Libyan rebels to defeat Gadhafi" by SEBASTIAN ABBOT, Associated Press, <http://goo.gl/nMN9G>

³⁵ Just like the dominance of blacks in sports and popular culture via hip-hop inadvertently causes whites to be attracted to other cultural environments, another cultural medium that I believe has increasing appeal for white youth for the obvious reasons is militarism. I was reminded of this when seeing an article titled "The Coolest Guys in the World" about the NAVY SEALS who killed Bin Laden. See here: <http://www.newsweek.com/2011/05/05/the-coolest-guys-in-the-world.html> . In the article there is a picture of 70+ seals, I only counted one black guy. In professional sports, the tremendous market pressure placed on sports leagues to have great athletes and winning teams helped break down the color lines and put black athletes at the top. When it comes to the military though, being the biggest of all monopolies, immune from market pressure to select the toughest and most athletic people, you get few blacks.

X. Concluding Remarks

Review

Natural selection selected for order from the primordial chemical soup and eventually stumbled upon biological evolution which became the winning way of creating biological order/life. Life is an order-building chain reaction which transforms matter to keep this ongoing self-sustaining order/life. This requires knowledge of how to make such a transformation. In biological evolution genes became the main knowledge-carriers. Unicellular organisms like amoebas and bacteria are very successful, they eat, grow and multiply quickly, but eventually other designs for life based on the *cooperation* of cells proved effective at maintaining and expanding order/life; multicellular life forms emerged. Cooperation of cells required them to lose or adapt their more selfish traits which were crucial for survival on an individual cell basis but prevented survival via cooperation as part of a larger multicellular life form, when these mechanisms break down in animals such as ourselves we call it cancer. Eventually animals evolved smarter brains which helped them cooperate and eventually you got humans, whose ability to cooperate was made that much more effective by things like language and powerful imaginations which could better model the world around them. Eventually our ancestors had both the brains as well as enough cultural concepts needed to develop *trade*. Trading inadvertently created a *division of labor and knowledge*. Up to this point most of the knowledge needed to create life was stored in our genes and we were limited to the amount of wealth nature replenished. With trade and the subsequent division of labor and knowledge new productive knowledge could be stored in a potentially infinite number of brains. The emergence of money solved the “double coincidence of wants” problem and allowed the social orders which traded be more productive and eventually replace the self-sufficient/tribal social orders thus helping spread customs associated with commerce and the use of money to all mankind. Although the use of money and trading is the result of human action, it was never consciously invented. Trade and money was a naturally selected and spontaneous phenomenon.

By wanting to make more money and provide loans to others the concept of interest arose, which coupled with the evolution of banking and finance enhanced the ability of the social order to pair wealth with the minds that had the most wealth-increasing ideas leading to even more rapid technological progress, wealth creation, and population growth, which provided even more brains, which led to more wealth, and so on in an accelerating cycle of production and increase in social complexity. As the market expanded and more and more people all over the world were integrating themselves with it by trading, precious metals like gold and silver emerged to be the best stores of value and money.

Unlike China, which was under the grip of paralyzing bureaucracies during the last 500 years which prevented competition from discovering superior legal and financial frameworks, Europe, with its small decentralized kingdoms provided a better environment for the market process to evolve and thus took Europeans to global dominance¹.

The profit motive and fundamental truth that human beings have much more in common than our differences helped shape a global business class of mutual respect and coordination that is helping to dismantle the tribal/ethnocentric culture we have inherited from our more tribal and self-sufficient past; we see this today in multinational corporations who employ people from all corners of the world.

By the late 1800s the new complexity of the Western world made it easy for economic fallacies to quickly spread through the public and intellectuals. Economic competition which is crucial for the spreading of productive knowledge throughout society would be seen as redundant or wasteful. Profits, instead of being seen as important signals or measures of superior knowledge and production would be seen as theft or gimmicks used by some to enrich themselves at the expense of the working masses who seemingly did all that was needed for production. The idea that the economy could be improved and perceived social ills remedied if some form of central planning and wealth redistribution were implemented swept through the minds of millions thus giving birth to what would be decades of overall government expansion and hard-core Socialism/Communism. Russia and China had the misfortune of making a conscious and determined effort to bring about central planning which brought the abolishment of economic freedom and competition, and thus the abolishment of the market process itself, and thus the deterioration of their respective social orders at the expense of tens of millions of lives lost through famine, treatable disease, concentration camps, etc.

Much of the rest of the world and America fell for less revolutionary forms of central planning. Instead of socializing everything, a piecemeal approach which socialized the “bare essentials” which took care of people’s most urgent fears or jealousies took hold. In true democratic fashion, reflecting the economic ignorance, fears, and jealousies of the masses, governments began to control the care of seniors, education, single mothers, the unemployed, and many industries to various degrees thanks to an ever increasing number of regulations to the point where it is today, and directly controls or indirectly influences much of the social order, and very importantly, the government is incorrectly seen as the entity that manages and creates social order. Let’s remember Spencer’s quote from a few pages ago:

“Each generation is made less familiar with the attainment of desired ends by individual actions or private combinations, and more familiar with the attainment of them by governmental agencies; until, eventually, **governmental agencies come to be thought of as the only available agencies.**”

Of utmost importance is the emergence of central banking and the abandonment of the naturally selected or spontaneously evolved gold standard. Money is the most important and indispensable sort of hormone to the social organism. Just like the emergence of money was the result of human action but not consciously invented by people, so was the use of gold as the superior money for much of the Western world. Gold proved itself to be the best store of value and medium of exchange. As previously mentioned, ideally you want minds to be able to rearrange the social order based on how

productive their knowledge is¹, and this is what gold evolved to do better than anything else. As governments began taking a more intrusive role in the economy they abandoned the gold standard in order to bring enough wealth to the bureaucracies needed to implement their Socialist-minded ideas, good vs. evil wars, or whatever intervention they felt was needed at the time but were unable to do because of the gold standard². Government interventions, especially monetary ones, would help cause the booms/busts/cycles and increasing prices most people erroneously believe are inherent in the free market. The ability to restructure the social order would no longer be as proportional to the productive knowledge held in people's minds; fiat/paper money would allow greater and greater quantities of wealth to go from the productive private sector to the much more consumptive public sector and politically connected orders. It is amazing to realize that the growth of Socialism, the deterioration of productive morals, and so much more about the workings of society is largely a consequence of governments abandoning the gold standard.

Imagine bureaucrats are unhappy with differences in people's accents and create the Department of Speech to regulate language. After one hundred years someone proposes abolishing the DOS and he is treated as a nut because everyone believes that abolishing the DOS would lead to linguistic chaos and the collapse of society. This little analogy applies to much of what government does, especially to those financial institutions which have evolved very recently in the history of mankind and thus we are most ignorant of and play a key role in coordinating the social order; things like banking/finance and stock markets.

In the US the Federal Reserve itself played the leading role in creating the current global financial crisis and instead of it being abolished, more powers are given to it so that it can have more tentacles with which to attempt to manage the social order. In fact, the monopolizing of the banking and financial institutions by governments and their "experts" and regulations has not only helped create all sorts of crises, it has also retarded the further evolution of financial institutions themselves. The following quote by Hayek captures all this beautifully:

"...Like morality, law, language, and biological organisms, monetary institutions result from spontaneous order — and are similarly susceptible to variation and selection. Yet monetary institutions turn out to be the least satisfactorily developed of all spontaneously grown formations. Few will, for example, dare to claim that their functioning has improved during the last seventy years or so, since what had been an essentially automatic mechanism based on an international metallic standard was replaced, under the guidance of experts, by deliberate national 'monetary policies'. Indeed, humankind's experiences with money have given good reason for distrusting it, but not for reasons commonly supposed. Rather, the selective processes are interfered with here more than anywhere else: selection by evolution is prevented by government monopolies that make competitive experimentation impossible." (Hayek F. A., 1989, p. 103)

If we momentarily speculate as to what kind of society natural

¹ Let's not forget Bob and his horrible hole-drilling idea and Joe's great medical device. We want a system that places resources under Joe's control and not under Bob's

selection is shaping, it would probably be the most productive one, one that selected against racism/tribalism, crime, and other things that lead to conflict or less productivity¹. I've referred to the concept of natural selection as if it were some phenomena that has an implied goal, which is obviously not the case. Although natural selection has no goal, it does lean in a certain direction, in the direction of increased order and complexity because this is what leads to a more productive and self-sustaining social order. Again, history shows this trend, even with its huge setbacks like world wars, genocides, Communism, etc. the world is in general much less tribal/ethnocentric and more economically integrated and productive as time has gone by. This does not mean that we can't inadvertently blow ourselves up in a nuclear holocaust but I believe the point I want to make still holds. Natural selection selects for order and ultimately the values, morals, laws, and institutions that help create order, which means that a high degree of economic freedom and tolerance should also be selected for. Just like cells can revert to their cancerous state and help destroy themselves by destroying the larger organism that they are a part of, us humans have a biology (as well as cultural concepts) that make us susceptible to violence and other actions that harm or can destroy the market process which is now the most important sustainer and expander of human life. The cure to this new form of 'social cancer' is an understanding of how the market process works.

American democracy, again, properly representing the ignorance, fears, and tribalism of the US public, is sliding towards economic chaos as the FED keeps creating money in order to sustain the current social order as it naively hopes that somehow better times lie ahead. It is as if everyone knows/assumes that cycles go up and down and that we will soon be on our way up. But all the FED stimulating and government spending is doing is maintaining or expanding the messed up social order that made the initial economic downturn obvious to all. The same can be said about the European Central Bank and the various bailouts of EU member countries like Greece, Italy, Spain, etc. The social reorganization which necessarily involves transitioning millions of people from the consumptive public sector to the private one and deregulating the economy is seen as potential chaos to be avoided at all costs while in reality it would be the step towards real self-sustaining social order and socioeconomic prosperity.

With respect to centralized government planning in general and his critique of socialism during the 20th century, Hayek concluded one of his final works with the following:

“...I believe men will look back on our age as an age of superstition...I believe people will discover that the most widely held ideas which dominated

¹ New York in the early 1900s comes to mind. Since the public sector was so small at the time, most people were employed in the private sector and were subject to its productive culture-shaping incentives. This led to a culture that strived for success. If you were successful you took pride, showed off, joined clubs of other successful people, you were well respected and used your private wealth for private charities and people would know this, thus enhancing your standing. If you had not yet reached success, nonetheless you worked hard and tried to dress well and behave in a way that let others know that since you too were hard working eventually you too would be successful. See Jeffrey Tucker's talk "Innovations in Technology" <http://mises.org/media/6440/Innovations-in-Technology>

the twentieth century, those of a planned economy with a just distribution...and the replacement of the market by a rational arrangement of a body with coercive powers, were all based on superstition in the strict sense of the word. An age of superstition is a time when people imagine that they know more than they do. In this sense the twentieth century was certainly an outstanding age of superstition..." (Hayek F. A., 1981, pp. 175-6)

Although it seems like 100% government planning or Soviet style Communism is a superstition which mankind has overcome, we are still very much gripped by the superstition that governments can plan/manage/implement our Socialist welfare schemes and also "manage" or cure the economic problems we face. We still believe that it is 'great people' that matter while being completely blind to the workings of the market process which is what really makes our brains truly productive. Fortunately we are in the midst of an intellectual revolution that at the very least should bring about a basic understanding of economics to enough people in the world to overcome our big-government Socialist path which has been responsible for so much misery and our current socioeconomic troubles. We now move to discuss a few things about this intellectual revolution by first using myself as an example of how it is spreading.

How I became a Libertarian

Like most Americans, even "college educated" ones like I was, I had little understanding of basic economic principles. Besides the necessary reading and studying needed to get my degree in Computer Science in 1998, I had barely even read a book cover to cover by the time I had graduated from college¹. In the year 2000, in one of my first jobs out of college, I had the fortune of making a great new friend, Ted Chang, who seemed to me to have read a book on just about everything and whose opinion I took very seriously. He recommended I read two books, Richard Dawkins' "The Selfish Gene" and Steven Levy's "Artificial Life: A Report from the Frontier Where Computers Meet Biology". Dawkins' book was amazing and sparked an interest in biology and human nature that led me to many more books on evolution and evolutionary psychology from Dawkins and other great authors like Steven Pinker, Matt Ridley and Robert Wright. Amazon.com and its reviews made it easy to stumble upon such great authors. Levy's book, which I immediately followed with M. Mitchell Waldrop's "Complexity: The Emerging Science at the Edge of Order and Chaos", showed how evolution was like an algorithm or mechanism for building order and complexity, and that just like it created biological life it also played a role in the economic order. The intellectual journey of Santa Fe Institute physicist James Doyle Farmer, as he grappled with basic concepts on the evolution of order and complex systems, was mentioned in both books. The sentence in which Levy mentions Herbert Spencer's influence on Farmer summarizes a profound point:

"Farmer sought alternative views of evolution, and in the works of Herbert Spencer, a contemporary of Darwin, he came across ideas of self-organization. Spencer was perhaps the first to identify evolution as an apparent foe of the second law of thermodynamics. While entropy dissolved order, evolution, by

¹ I had read "Jurassic Park", "Forrest Gump", and a science fiction novel my dad had recommended whose title I can't remember.

drawing on the force of self-organization, bootstrapped increasingly complex eddies of order, seemingly ignoring the insistent one-way sign posted by the second law” (Levy, p. 89)

Herbert Spencer’s name kept popping up in books I read and my curiosity and respect for him began to grow. When I first stumbled upon him in a college Anthropology course, I thought his extension of biological evolution to the social order was interesting but found the short paragraph I read about his criticisms of government to be absurd. Since the class quickly went on to other supposedly newer and greater thinkers, I just assumed his ideas had been supplanted by better ones. Little did I know, I should have stuck to Spencer and what seemed interesting instead of the boring guys that went afterward as I recall. Having faith in some kind of evolutionary explanation to everything a la Herbert Spencer and a growing interest and fascination with evolution/biology/genetics I tried to push my career closer to biology and went back to school to study genetics and bioinformatics (which is about using computers to do genetic analysis). In the back of my mind I felt like the more I understood how evolution had created the biological order, eventually, the more I would understand how it also shaped the social one. For various reasons I threw in the towel to my potential bioinformatics career after a year of studying and during that last semester, when I felt like I was just going to finish the semester and get back to the real world, I decided to finally read an introduction to economics.

I remember watching some of the Sunday morning political shows feeling clueless as to the differences between democrats and republicans and where I “stood on the issues”. During the time I was having this curiosity (circa 2003) places like Amazon.com had inadvertently created an ecosystem where ideas compete with each other based on the books that describe them and how well and how often these books are reviewed. Thanks to this, anyone with a slight interest could quickly research many books and stumble upon great knowledge. Searching on Amazon.com for a few minutes turned up a recent and well-reviewed book that I thought had the perfect title for me, it was Thomas Sowell’s “Basic Economics: A Citizen’s Guide to the Economy”. “Perfect!” I thought, a “Citizen’s Guide”, not some book full of intimidating mathematical equations. I just wanted something that would make me a well-informed voter/citizen. The thing I remember striking me the most was Sowell’s explanation of the German hyperinflation during the 1920s. I thought to myself: “If the bureaucrats in Germany managed to screw the economy, can’t our bureaucrats be wrong here as well?” Sowell described many instances in which our own government was doing things that went counter to sound economic principles; things like imposing price and wage controls as in minimum wage legislation, etc. After reading the book my thoughts must have been along the lines of: *“How could this happen? There must be a catch. Perhaps this worked ok ‘in theory’ but the complexities of the modern world would require that the government did things that didn’t fit economic ideals some of the time. Surely if minimum wage laws did not have some benefit, all those government economic experts would oppose them and make the politicians look foolish.”* There were still many fears in my mind, many scenarios that I felt needed government intervention and helped justify the status quo in my mind, but my interest in reading a few more introductory books intensified. Next came Henry Hazlitt’s classic “Economics in One Lesson” which opened up my mind some more but I still felt like there must be a missing argument that would justify the way things actually worked.

Maybe I just hadn't looked enough and I would find another book that did a good job of showing why government did things that went counter to the basic principles these books were showing. This reminds me of how hard it can be to go against the mainstream, even after reading at least two great books on economics, books whose logic was irrefutable, I still could not shake from the idea that there must be a catch somewhere, that somehow there must be a good reason why our government, with its thousands of economic experts and bureaucracies, did things differently than what sound economic thinking advised. At around this time Ted hit another one out of the park for me by telling me about this F.A. Hayek guy who had written a "classic" on political theory called "The Road to Serfdom". It was a tough read for me, I doubt I understood a fifth of it upon my first reading, but it introduced me to Hayek nonetheless. Also at around this time, I¹ stumbled upon the Ludwig von Mises Institute's website at mises.org². Their daily articles, and more importantly, the growing collection of mp3s in their media section, made learning economics and history efficient and entertaining. I have fond memories of going for a walk or jog or workout listening to many great lectures, feeling as if the socioeconomic world was fitting into a coherent and logical framework. I even wrote a computer program that would download all the media files so that I could burn them onto a CD, a CD which I later boasted to a friend was "the greatest CD ever made." Soon after stumbling upon mises.org I finally felt convinced that the so called "Austrian School" of economics had it right and the government and America's educational establishment had it wrong.

My interest in Hayek really intensified on August 24th 2004. I know the exact date because that was the day lewrockwell.com columnist Gary North wrote an excellent piece on Hayek titled "Imitate Hayek" in which he praised Hayek for his great productivity in his late years even though he disagreed with some of Hayek's ideas. The following line really struck me:

"He was still sharp at 86. I did not read *The Fatal Conceit* until a couple of years ago. It is an intelligent book. In some ways, it is his most profound book in terms of laying out his first principles, **which I don't accept: Darwinian evolution.**"³ (emphasis mine)

Up until reading that sentence I was not aware that there was something related to Darwinian evolution about Hayek's work and I was eager to see what it was. Once again, thanks to amazon.com, I was able to see the table of contents to Hayek's trilogy "Law, Legislation, and Liberty" and see subheadings like "The concept of order" and "Spontaneous orders in nature". Finally I had really stumbled upon the Hayek who not only explained the

¹ or I'll assume most people who had enough interest in economics and had the fortune to use the Internet and Amazon.com to read a few books as opposed to taking a college course where Keynesian mathematicobabble is taught.

² The Ludwig von Mises Institute is the most popular online free-market think tank and played a tremendous role in my understanding of economics, history and so much more. I strongly advise the reader to visit their site at www.mises.org and also their media section at www.mises.org/media. Other great institutions/blogs that have either played an important role in my education or are just great resources I would like to recommend are the Foundation for Economic Education (fee.org), the Independent Institute (independent.org), the Future of Freedom Foundation (fff.org), www.antiwar.com is a daily must for news and Scott Horton's interviews with leading journalists/thinkers, Russ Roberts' Econtalk.org, Robert Wenzel's www.economicpolicyjournal.com, Lew Rockwell's lewrockwell.com (the most popular libertarian website in the world as of this writing) and Peter Schiff's new online radio show at www.schiffradio.com

subtleties of order at the macro world of economics, but who also dealt with them at the micro world of atoms, everything in between and a whole lot more. More on Hayek later...

Wanting to meet likeminded individuals and take part in a pro-Capitalism revolution I soon stumbled upon the Libertarian Party and eagerly attended the 2004 Libertarian Party convention in Gainesville, FL in order to run for congress as a way to help educate the public. I had bought a box of copies of Hazlitt's classic "Economics in One Lesson" and figured that if I could simply help educate some people around me, they too would become as fervent as me; eventually ideas would go viral and bam, problem solved. I was somewhat disappointed in the Gainesville trip though, instead of finding many people interested in preaching the Austrian econogospel or sound economics I ran into religious Libertarians who think government is bad for religious reasons; constitutional experts who liked to talk about the illegality of much of what government does; and a few other types of libertarians, but not much in the way of those who like myself felt like simply teaching basic economic concepts was the key. I was somewhat turned off by some who did know economics because they tended to refer to the public in general as being a bunch of idiots/sheep and too stupid to ever see the light, a viewpoint which I totally disagreed with. By that time I had read many books on evolutionary psychology and human nature and thus knew how alike all human beings were¹, and it's not like I even needed to read such books to be turned off by the pompous elitist attitude. In many ways libertarians have been their own worst enemies. While going through the process of gathering the necessary signatures needed to put my name on the ballot(a process I did not finish) I got a chance to interact with many potential voters and got to see even more first-hand just how difficult getting people not to fear freedom was. It was during this time that I began thinking of writing this book. Enough about this...

This section was inspired by Prof. Walter Block's "How I became a Libertarian" series. Google "How I became a Libertarian" to stumble upon many great authors/bloggers essays on how they became libertarians. The most important thing to take away from their essays is **how they stumbled upon a solid understanding of economics**, which is again, the key to overcoming our fears of the freedom that vital to socioeconomic prosperity. Looking back at my own experience stumbling upon such ideas I realize how fortunate I was to have ran into Ted who quickly pointed me in a great intellectual direction, but I really wasn't that lucky. In a free society, the truth inevitably out-competes falsehoods and spreads, making it easier and easier for minds to stumble upon such truths. If mankind is to reach higher states of order and prosperity it seems inevitable that such ideas would eventually spread. Prior to the Internet and the wonderful online free-market think tanks that emerged it was much harder to stumble upon Libertarian thinkers. By today the Internet is exploding with a rapidly expanding generation of libertarian intellectuals/bloggers that are making it even easier to learn

¹ I had also stumbled upon Dr. Paul Rubin's book "Darwinian Politics" which discussed mankind's innate susceptibility to socialist ideology. See my review on amazon.com of the book here: <http://goo.gl/MaOdX>

economics via their videos and avid proselytizing.⁴ The Ron Paul presidential campaign of 2008 led to an explosion of interest in and spreading of the Austrian School, and Ron's campaign of 2012 is poised to continue spreading these ideas.

Hayek's most alarming lesson of modern history. The Ron Paul Revolution of 2008 and 2012, and the coming libertarian revolution.

Many Libertarians or people in general who want to reduce government greatly harm their cause when they vilify the mainstream establishment. It is true that government policies and the chatter of the mainstream media are the usual recipe for Socialism and international conflict, but this is not because they are "evil" or have bad intentions. Socialist ideology did not spread because its adherents were "bad people", it just made sense due to our egalitarian/socialist tendencies and economic ignorance. Let's hear it from Hayek once again:

"Most people are still unwilling to face the most alarming lesson of modern history: that the greatest crimes of our time have been committed by governments that had the enthusiastic support of millions of people who were guided by moral impulses. It is simply not true that Hitler or Mussolini, Lenin or Stalin, appealed only to the worst instincts of their people: they also appealed to some of the feelings which also dominate contemporary democracies." (Hayek F. A., 1976, p. 134)

Yes... Hitler, Mussolini, Stalin, Mao and the like, whose actions brought so much death and destruction were feverishly followed and admired by large segments of their populations. To this day one can go to villages or towns in their respective countries and find portraits and old supporters of these men. Actually, it is much worse; there are still entire political parties with the support of thousands still idolizing them. These people were not "evil", they were simply the embodiment, or executioners, of the ideologies held by a large portion of the very masses that put them in power and tolerated their actions, socialist ideologies that are like candy to our tribal instincts.

Understanding the human animal and the economic world is new to mankind. I have little doubt in my mind that if one could travel back in time and spend a good month or two with Hitler and Stalin, teaching them how the market process works and so on, that they would have been able to see things differently. These people did not have "evil" genes. They were a sign of their times. We have to accept this truth in order to stop blaming particular individuals for problems and look at the socioeconomic forces that create such monstrous regimes.

Government is composed of average human beings who for the most part have good intentions given the ideologies that shape their minds. Sure there are many blatantly corrupt people in government that use their influence to benefit themselves at the expense of society, but for the most part our huge government is not out there to "oppress us" and "take our liberties away" like so many Libertarians seem to portray. One cannot stress this enough, the overwhelming factor is our tribal nature and ignorance of the relatively new economic forces that shape our modern worlds. The number of such "bad" individuals is an insignificant factor compared to those who just

don't know better and end up playing the big-government game because that is all they can imagine⁵. Our bureaucrats, the media, and Wall Street, are much better labeled as misguided than "evil", "the enemy" and so on. Evil does not really exist, it is a cultural relic from more theistic times.

The biggest threat to prosperity is our tribalism and lack of an understanding of economics that feeds government, not government itself. If society expects the government and public sector to solve problems, those who want to dismantle much of the public sector will easily be seen as a bunch of dangerous ideologues. For example, in a segment on Glenn Beck's CNN cable TV program aired on Nov 12th 2007, Glenn tried to associate the Ron Paul Revolution with some kind of domestic terrorism threat. His guest on the show, David Horowitz said the following with respect to the growing disenfranchisement with government in general and more specifically about the Ron Paul Revolution:

"there is a strain of isolationism and anarchy...There are plenty of unfortunately libertarian websites which are indistinguishable from the anti-American left these days. Lewrockwell.com and others like that. They are totally in bed with the Islamofascists and have turned against this country."⁶

Wow! This is a perfect example of what we are dealing with. "anarchy"... this is what people fear from Ron Paul's message of freedom and his attacks on government. Saying that lewrockwell.com, Lew Rockwell's site, a man who put together one of the greatest educational institutions ever, the Ludwig von Mises Institute(mises.org), is in bed with the "Islamofascists", has to be the most ridiculous thing I have ever heard. In many ways, Glenn and Mr. Horowitz are good examples of how the public, and the media which reflects their economic ignorance and tribalism, inevitably see freedom as something bad, as "anarchy", and supporters of freedom as potential terrorists because in order to have more freedom you inevitably have to be against the government.

This treatment and fringe status is in many ways a result of how many libertarians or people who just want to see a smaller government present themselves. If people go around referring to the government as "evil" and out there to "oppress us" and "rob us", then it is inevitable that the mainstream establishment reacts the way that it does.

This back and forth vilifying is especially unproductive with today's new "war on terrorism". Popular Fox news host Bill O'Reilly, a man who I believe has very good intentions and in many ways seems like a very tolerant and exemplary human being, referred to the American Civil Liberties Union(ACLU) as "I think they're a terrorist group. ... I think they're terrorists"⁷, for their opposition to the tremendous expansion in power of the executive branch over the freedoms of individuals. This growth in government power is obviously done with good intentions. So what happens when a group of educated citizens inevitably view their very government as the main cause of the problems? And at the same time, the public at large are convinced that our government bureaucracies are not this great evil that the freedom ideologues portray them as, and that anyone who opposes the government is obviously a dangerous crazy ideologue that will someday be responsible for anarchy, economic chaos, or a "mushroom cloud"?

To most people government is good, it is what manages the social order, it is what supposedly prevents the strong from abusing the weak, it is the embodiment of our national tribal identity. It educates us, protects us, is staffed by good people with good intentions and does pretty much everything these days. This is what is visible. With the right understanding of economics we can see the great harm that government creates, that it creates far more harm than most can imagine, that it is in fact THE source of most of our problems. But without this understanding we are left with the ideology that government is good, that to be against that which is good is bad, and therefore to be against the government is to be for the bad, for the “evil” terrorists, for greedy selfish people, for the racists, for the social chaos that would “obviously” occur. If you are against Social Security, you are evil and against the elderly. If you are against welfare, you are for the starvation of the poor, racist, etc. To the tribal and economically ignorant establishment and public, freedom leads to chaos, it is an “extreme belief system” and those who expound such anti-government views must be carefully watched and perhaps locked up. The bureaucrats will reason that they have no choice but to lockup the pesky freedom ideologues, especially when like many Ron Paul supporters and Libertarians in general, they refer to the mainstream politicians and media as evil warmongers and all kinds of other nasty things, which the politicians and mainstream media are thoroughly convinced that they are not. I agree 100% that with the exception of Dr. Paul, and now his son, Senator Dr. Rand Paul, our entire congress’ lack of an understanding of how freedom works leads to death and destruction, but again this is mostly the result of mass ideological error and not ill intent. I know, I am way too nice and so was Hayek, he dedicated his “Road to Serfdom” “To the socialists of all parties”. Hayek was well aware that the source of our problems was not “evil” people or intent, but intellectual error rooted in viral economic fallacies and human nature.

The Ron Paul Revolution and Libertarians in general should understand this situation and act accordingly. It should change its tone to be one of more **ridicule** and intellectual dialogue as opposed to vilification. I don’t want to sort of pigeonhole everyone here obviously, Dr. Paul and maybe even the majority of his supporters certainly know that our Socialism is a well-intentioned one and that we are battling ignorance for the most part, but I wish this fact was better expressed as part of the general movement.

Another example of the Ron Paul Revolution and libertarians harming themselves was a video where a mob of Ron Paul supporters shouted anti-Fox news chants as they followed Fox news commentator Sean Hannity. Fox news is the mainstream media mouthpiece for our current brand of big-government “Conservatism”. Mr. Hannity is not a bad guy that is part of some mass conspiracy to trample our freedoms and ruin our country. His respect for the Bush administration is based on good’ol human tribalism. He might believe that Mr. Bush and his administration are “good” people and that the Islamofascists will blow us up. Since he probably has little understanding of economics, he too probably feels like abolishing the Federal Reserve and the many other bureaucracies that Ron Paul wants to abolish is a recipe for chaos. Like most people, he might believe that it’s good people with “good morals” that makes a difference. I do not know the man and do not

want to put words in his mouth but the point I want to make is that instead of insulting and treating people like Mr. Hannity and Mr. O'Reilly as mouthpieces for an "evil" empire that is purposely out there to "oppress us" and "take our freedoms away", the Ron Paul Revolution would do tremendously better if it engaged these individuals amicably or ridiculing them instead of vilifying them. Vilifying the current "Conservative" or "Liberal" establishment is only making it harder to engage them in an intellectual conversation which is what is needed to alleviate their fears of freedom and help them understand just how disastrous all other candidates and policies really are.

The bottom line is that government is not "evil", and neither is the establishment. Both are the embodiments of our usual economic and mal-adapted ideological fallacies. Even what to many "crazy" Ron Paul supporters is the great dark lord himself, Dick Cheney, is a human being no different than you and I. A man who married his high school sweetheart and has children and grandchildren. That his ideology and certain traits in his character has created incredible hardships and suffering for millions of human beings in the Middle East compared to alternatives, I have no doubt about it, but he is not a "bad" person. I hope the Ron Paul Revolution changes its tune for 2012. But I am not 100% opposed to it either. Let's face it, the Ron Paul Revolution has also gotten a tremendous boost of energy and passion from such "vilifiers". Everyone pushing for freedom has their own views/ways and I certainly don't know or can predict the perfect formula.

I also want to briefly criticize arguments against big-government that are based on pointing out the supposed un-Constitutionality of what government does. From time to time one runs into some libertarians who are experts in the US Constitution and its history and try to convince others about the unconstitutionality of our big-government world. Although these individuals have done a great job of learning about history, it is a less effective way of spreading the message of freedom. As long as people believe that trampling over the constitution and creating a big ape government is needed to keep society from falling apart and preventing great injustices, most folks will not give a damn about right or wrong as defined by the constitution or religious beliefs. Using moral and constitutional arguments is not going to cut it in today's more secular world. So again, freedom has to be defended in a way that shows why it is in everyone's best interest, and this can best be done via economic reasoning that appeals to people's self-interest. The Constitution is a recipe for individual freedom and therefore the constraint of government power. Again, most people believe that so much freedom might have worked well in the simpler past, but the complexities of our modern world and the aforementioned fears lead us to think that so much freedom and so little government is antiquated, and again, a recipe for social chaos and "great injustices". Most people see the Constitution just like their former elected ideologue Bush Jr. who said, "The Constitution is just a Goddamn piece of paper".

What sets Dr. Paul apart from other politicians is not his morality/etc., Dr. Paul is a human being like any other, what has made him such a great asset to all of us is his understanding of economics. Max Raskin, a blogger for lewrockwell.com made the following important point:

“Without the Mises Institute and LRC, Ron Paul is just another politician, devoid of any principle and intelligence.

Thankfully this is not the case. Ron Paul is great, but let's not forget he is standing on the shoulders of giants.”

I know this sounds a little harsh, and it is erroneous in some ways because Dr. Paul was a great economist long before the Ludwig von Mises Institute came into existence, but Mr. Raskin was just blogging and the point he is making is just as valid. People are pretty much the same for all the things we need to be concerned about, what truly sets us apart is the “cultural books” we absorb as we grow up. It is easy to stand up for freedom when you know how freedom works. Once again, economics is the key. This should be a humbling point that should once again remind us of how alike we all are. A few words on Dr. Paul's economics education are called for.

Early in his life Dr. Paul read Hayek's “The Road to Serfdom” and stumbled upon the “Austrian School of Economics”. “Austrian” because like Hayek himself, many of these like-minded free-market economists, especially the first ones, were from Austria, and they were intellectual descendants of Austrian born Carl Menger. As Dr. Paul explains in his short pamphlet titled “Mises and Austrian Economics”:

“My introduction to Austrian economics came when I was studying medicine at Duke University and came across a copy of Hayek's *The Road to Serfdom*. After devouring this, I was determined to read whatever I could find on what I thought was this new school of economic thought—especially the works of Mises”³⁸

To Dr. Paul, the “Austrian School” could properly explain past economic downturns like the Great Depression⁹ and make accurate predictions about the future effects of current policies. Dr. Paul could clearly see how our mainstream economics establishment and bureaucrats in D.C. were continually making all the wrong moves based on flawed economic principles. Alarmed by the path our nation was taking, those familiar with the “Austrian School” like Dr. Paul worked feverishly to educate and take action.

“I decided to run for Congress because of the disaster of wage and price controls imposed by the Nixon administration in 1971... I decided that someone in politics had to condemn the controls, and offer the alternative that could explain the past and give hope for the future: the Austrian economists' defense of the free market. . . **Americans need a better understanding of Austrian economics**”⁷¹⁰ — Ron Paul (emphasis mine)

When I learned that Ron Paul was going to be running for president in 2008 I really thought there was a great chance that he would win. Even though in 2007 he was unknown I felt like he would become a sort of lighthouse which would bring attention to the basic economic ideas which would quickly spread in time for a victory and thus help propel the intellectual revolution that would transform America and the world. The ideas of the Austrian School had transformed me into a fervent supporter of freedom and I felt like it was inevitable that the same fervor and support would continue to spread to others.

In June 2007 Ron Paul published “A Foreign Policy of Freedom”, 372 pages of foreign policy related speeches. It was a great book, but I was really hoping that Ron Paul would write a short book that would explain the basic economic principles that can quickly go “viral” and are needed to overcome our economic ignorance. A basic understanding of inflation is probably the best concept to spread. It is a concept that is tremendously important because it is via inflation that governments can grow so gigantic and destructive; it is a concept that clearly places the blame for rising prices and so much more right where it needs to be, on the Federal Reserve, and by doing this it also makes it obvious that the establishment’s best economists are utter fools or liars for not realizing that they are the ones responsible for the rising prices; inflation and basic monetary theory in general is also very easy to teach and comprehend thus making it the ideal candidate for going “viral”. If the price of everything goes up there must be more money, right? And who creates the money?¹

Soon after, I heard rumors that Dr. Paul would be publishing an economics book and I thought that that would be the Bible upon which the revolution would be built upon, but that book (“Pillars of Prosperity”) too turned out to be a large collection of speeches related to economics. Great nonetheless, but still not the sort of thing that can teach economics easily from scratch and help the ideas go viral². So I got the idea to take some of the chapters from this book and release them as a shorter book tailored to the Ron Paul Revolution and appropriately called it “Economics, the Social Order, and the Ron Paul Revolution”. As usual, it took me ten times longer than expected to prepare the book for publishing, and by the time I published it “Super Tuesday” had just taken place where Dr. Paul lost the Republican Party nomination to John McCain. To my surprise and great disappointment, Dr. Paul decided not to continue his presidential run as an independent. I

¹ As this book goes to press, thanks to the economic crisis and continued inflation there are many TV ads urging people to invest in gold. These ads often times pack a great lesson about inflation and how governments use paper dollars to fund their bureaucracies. Such simple ads inadvertently do a wonderful job at helping spread this most important concept.

² While attending a Ron Paul speech in Council Bluffs Iowa during his 2008 campaign, as a member of the audience I got to ask Dr. Paul what three books he would want his supporters or people in general to read hoping that perhaps someone captured his reply in a video. He initially sort of laughed and said something along the lines of “besides the Bible, right?”, I nodded and then he didn’t disappoint by recommending Mises’ ‘Human Action’, Hayek’s ‘The Road to Serfdom’ and Hazlitt’s ‘Economics in One Lesson’. Unfortunately there was no recording of this event to my knowledge. Something else that he mentioned in this event which was a little disappointing was the he felt like the US Constitution was inspired by “Providence”. I don’t remember exactly the wording but it struck me as meaning that the Constitution or something about America had to do with some religious blessing or something along those lines. You will often times hear Democrats/Liberals accusing people who preach for freedom and the free market as doing so because it is their “ideology” or philosophy and then they say that we need to put ideology or philosophy aside to deal with reality which they believe needs all kinds of government interventions. Dr. Paul often times talks about the “philosophy of freedom” and things like that which lends itself to this sort of attack by Democrats/Liberals or just people in general who don’t care much about “ideology” and are rightly concerned with results. Dr. Paul has referred to himself as the “Champion of the Constitution” which again, make it easy for people to label him as some sort of ideologue instead of someone who knows what is best. I often times wished he would present himself more as the sort of “Champion of sound economics” or something like that. Economics is not an “ideology” it is about reality and would thus lend itself to debate which then Ron Paul would win. On Nov. 11th, 2011 Ben Bernanke mentioned that “I’m not a believer in the Old Testament theory of business cycles”, this statement was probably Bernanke’s criticism of many of Ron Paul’s “morality” based arguments.

thought this was a great mistake at the time. On Dec 16th 2007 Ron Paul had raised over 6 million dollars with one of his moneybombs in which supporters pick a single day to donate to the campaign to reach large amounts that can help get additional publicity. The Ron Paul Revolution was quickly gaining tremendous momentum. By early 2008 it seemed like Dr. Paul was going from university campus to campus filling auditoriums with thousands of students. There were thousands of spontaneously formed “meetup” groups all over the country doing a great job of spreading the Austrian econogospel to various degrees. Videos featuring Dr. Paul dominated the news and political categories in youtube.com. At the rate the movement was growing, given that there were still 9 more months to go, I felt like even if Dr. Paul would not win, by Election Day on Nov 4th 2008 the intellectual revolution would have been unstoppable and at the very least help bring a more libertarian and economically prosperous world much sooner. I felt like at some point rappers, musicians, movie stars, popular athletes, etc. would also stumble upon the intellectual revolution and thus enough of an understanding of economics to overcome their fear of freedom and at that point take the intellectual revolution to a whole new level. If the lyrics of the latest and greatest rap/pop song can make it through the minds of millions in a matter of weeks, I don’t see how the proper understanding of economics can take too much longer.

In a speech titled “Is There Hope for Liberty in Our Lifetime?”¹¹, Ludwig von Mises Institute faculty member Jacob H. Huebert commented how these days when he travels to universities he is often approached by young students who bring up Austrian economics, and he mentioned that it was the Ron Paul Revolution of 2008 which made this swell in libertarianism happen. Well, if the Ron Paul Revolution of 2008 managed to do this while still having 9 months left till election day, how much more could it have done during those months as the election drew closer and Ron Paul, whether as a true contender or a major spoiler, would have continued to get a great amount of free media exposure? Mr. Huebert concluded his speech with the view that he would probably not see a significantly more libertarian world in his lifetime, a view which I am completely at odds with.

Anyways, I’m probably missing a great argument that explains why not continuing the run in 2008 was a great idea. I’ve read that going third party or independent might have cost him dearly in terms of accomplishments within the Republican Party. Ron Paul has been able to head the Federal Reserve Subcommittee and thus bring more attention to the Federal Reserve and in large part thanks to these efforts the Federal Reserve is under scrutiny and the public eye like never before. I guess accomplishments like this would have been jeopardized via an independent run. Ok, enough of my whining here, it is easy to daydream about what could have happened. Ron Paul has decided not to seek reelection to congress in 2012 thus hopefully increasing the possibility that he will go all the way in 2012 even if he does not win the Republican nomination. This time around Dr. Paul’s books, “The Revolution: A Manifesto”, “End The Fed”, “Liberty Defined: 50 Essential Issues That Affect Our Freedom” are the sort of bite sized pieces that can greatly help the necessary ideas go viral and have rightly claimed dominance in Amazon.com bestseller lists¹². Like many others I have high hopes that this time the libertarian intellectual revolution will happen in a matter of a few years or even months. When people like Ron Paul run for office, they immediately place themselves where people look for answers, in politics, in politicians. Not only

is Ron Paul providing a great lighthouse which is beaming sound Austrian Economics to the national audience, economist Peter Schiff has recently established a political action committee with the goal of creating a full slate of candidates who are well versed in Austrian economics. So this time around as the 2012 elections come in there will be lighthouses beaming the light of Austrian economics all over America.

Perhaps for the hundredth time I would like to once again stress the importance of teaching economics. The reason why most of us don't make a conscious effort to strive for a more capitalist society is because we simply don't know what Capitalism is or how it really works and is in everyone's best interest, especially for the "poor" in the United States, and much more so for the really, really, poor in African nations. If someone offers to give you a nice free car for pushing a button, it is trivial to realize how pushing the button is in your best interest. The intelligence and effort required to understand this is something a small child can achieve. Unfortunately, understanding what the market process is, how it works, and how it has created civilization and the material prosperity that has allowed so much human life to flourish is not as trivial. Not only does it require a little more thinking than our button-for-a-car example, but some aspects of the market process are counter intuitive to our evolved human nature making them a bit harder to understand and easy to intuitively hate. At the same time, Socialism/Communism are destructive, yet our minds are suckers for those ideologies and their policies, causing them to quickly spread through our minds even though we have an entire 20th century filled with their failures to serve as examples. Fortunately, how Capitalism and the whole world more or less works is not that hard to understand and definitely within the reach of everyone. Once an individual clearly understands economics he can easily see how important freedom and privatization really are and how everything else pales in comparison. As mentioned in introduction, economics is the difference between having to eat your children out of hunger as happened in China, and having even the poorest members of society be able to afford things like transportation, TVs, Internet access, clothes and food as is the case in modern Western countries. Once a properly functioning mind understands this, it is almost inevitable that it works with much of its might to spread such an understanding. This is what happened to me as the previous section describes, as well as to Ron Paul many decades ago and will continue to happen to those of us who have the fortune of stumbling upon 'The Austrian School' of economics.

An understanding of economics can also be important for having a sense of purpose, confidence and so much more. When you truly understand economics and join yourself with the private sector by simply working and trying to make your life better, you really become something greater than yourself, you become part of that which truly creates human life and prosperity, you become a part of the market process, a part of the social organism. Most of us want to be a part of some great cause, to know that somehow we are making the world a better place. People need to know that by just being self-sustaining members of the private sector and saving and investing they are making a great contribution. I am sure that understanding how the market process works and creates socioeconomic prosperity is a far better cure for depression than antidepressants. Actually, this can be a double

edged sword, knowing how much better the world could work while at the same time seeing governments constantly move towards more growth and socioeconomic hardship can be pretty depressing too. But one gets the point. An understanding of the market process can help appease our egalitarianism and jealousies by making us realize that what really brings human progress and greatness has little to do with how much “better or smarter than you” someone else might be and much to do with the freedom that enables the market process to use people to do great things.

Given things like the success of the Ron Paul Revolution of 2008, what I hope will be continued success in 2012, and the efforts of countless individuals, we have reached a point where a spark could ignite the intellectual revolution that brings a better understanding of economics to the public at large within a few months. I think that a great way to help speed this process is to make a conscious effort to teach free-market economics to the people who in our modern world really help spread ideas and a whole lot more: Hip-Hop artists, musicians, movie stars, entertainers, athletes, etc. Famous rich people, with so much time on their hands are often looking to help make the world a better place via their charities and so on. Unfortunately, for reasons already discussed it seems like much of the “Hollywood”/athletes establishment usually falls for the Socialist share-the-wealth ideas that end up doing more harm than good. But again, this can be quickly cured if they stumble upon some of Dr. Paul’s popular books, perhaps a combination of great youtube videos, or are reached by people who are well versed in economics and can quickly brainwash them the proper way :-). Fortunately by now there are thousands of such individuals so perhaps educating the stars is within easy reach. Reaching such individuals and then motivating them to run for office seems like a great idea too. And again, the moment some stars on the level of people like Lady Gaga, Justin Timberlake, rappers like Lil Wayne or Snoop Dog, basketball players like Kobe Bryant or LeBron James stumble upon the Austrian School, the intellectual revolution will be months away from really transforming society. It is especially helpful that black stars stumble upon such ideas, not only because they are currently the ones that have the most clout but because they cannot be accused of being racists for wanting to abolish all the government bureaucracies and welfare which are supposed to be helping the poor/minorities/blacks/etc¹³. I think the stage is set so that even if a small number of relatively well known people gain a good understanding of economics and simply refuse to pay their income tax, it could inspire others and really help change things. The great Libertarian revolution can happen any moment now.

One last thing I’d like to sneak in here about the Ron Paul Revolution is the fact that it is not Hayekian. What I mean by this is the following. To Ron Paul and many of his supporters there is a religious underpinning to the freedom and “rights” of individuals. From my perspective and the perspective I believe Hayek would expound is that our freedom comes not from some godly “rights” but from an evolutionary process that has inadvertently evolved a culture or legal framework that protects such freedom. It is probably a good thing that Ron Paul does not see the world in an evolutionary Hayekian way, I doubt he would have made it as far in Republican politics if he did, and the spreading of Austrian economics he has helped achieve would not have

happened. Thanks to the economic crisis, more and more people are losing faith in the mainstream establishment which causes them to be more open-minded to others' opinions, especially those of people who express themselves with the sort of confidence that can only come from fully knowing that you are right, the sort of confidence Ron Paul shows when he speaks about the economy. The more society focuses on economics, the more it will inevitably stumble upon the Austrian School, thus the more it will inevitably stumble upon Hayek. But Hayek is not just being approached from the economics world; he is also being approached from the biological world. Let's face it, since natural selection shapes both worlds, it makes sense that researchers would stumble upon Hayek and his evolutionary views from both economics and biology. For example, Matt Ridley, a very well-known author of great books on evolution, has recently published a great book I highly recommend titled "The Rational Optimist: How Prosperity Evolves" whose message is one very similar to this book's and also has many references to Hayek. Although thanks to the economic crisis more and more people will stumble upon Hayek, the more they stumble upon him the more they will stumble upon natural selection and the very creation of all order. It is as if we are in the midst of a revolution within a revolution, a revolution not just about economics and freedom which is currently being spread to the American public thanks to the Ron Paul presidential runs of 2008 and 2012, but a revolution about all order, both socioeconomic as well as biological. For those of use familiar with the sci-fi blockbuster movie "The Matrix", it is as if the Ron Paul Revolution is the sugar-coating of the red pill which contains an evolutionary explanation of the world.

How to fix America in 6 months

So what are some concrete steps that can be taken to quickly turn America around? Before discussing these let us once again remind ourselves that the public sector at the Federal, State, and municipal levels, coupled with the increased costs and inefficiencies due to regulations, cause about 50% of all wealth that is created to be consumed in ways that add little in exchange or compared to the freer alternative. If we can quickly reduce this to 10% this means that the additional 40% of wealth, instead of being consumed to add little to no wealth as in the case of the millions of people employed by the Military Industrial Complex for example, will still be consumed by the soon to be ex-military-related personnel, but this time society will get in exchange a tremendous amount of wealth back, that which the ex-military personnel now produce by being members of the private sector, causing the economic pie to grow by about 40% in a single year causing living standards to go up tremendously¹⁴. The more wealth there is the more will inevitably have to be offered in exchange for labor thus increasing people's wages and standard of living. The sooner we privatize and abolish our monopolistic public sector bureaucracies and regulations, the more chaotic it will seem, but thanks to the right understanding of economics, people will know that that which will look like chaos will actually be the market process quickly ordering labor and resources in the most productive way. In the section in Chapter 4 titled "Overcoming the fear of massive layoffs in the public sector and understanding the benefits of immigration" we discussed how massive layoffs

in the public sector are not to be feared, that the jobs will be there instantly and so will the increase in prosperity. Some things that can and should be done immediately are:

Abolish minimum wage laws and other restrictions on labor like minimum age requirements. This would allow everyone to work adding a tremendous boost to the economy and the very morals of Americans. This would greatly reduce crime since former “criminals” will now be able to find employment. It is true that some of their first jobs might not pay much initially, but with a few months of experience and the reputation that comes from this, their productivity would rise and so would their income. The ability of children and teens to work will greatly reduce poverty and help to further shape a productive character, one that not only values hard work, honesty, competition, and so on, but a character that appreciates and expects those same values from other individuals because teamwork and mutual respect is crucial for successful competition. Hard working and honest people inevitably force others to be likewise. The sooner and easier we make it for people to integrate themselves into the private sector and its attitude-shaping incentives the better. Public education should be abolished immediately as well. With places like <http://www.khanacademy.org/>, Wikipedia.org, and the many free educational sites and games and the ability to use video/web conferencing via programs like Skype to talk to a knowledgeable person it should be obvious to realize that there is little need to spend thousands of dollars to learn the basic reading, writing, and arithmetic skills needed to move on to more challenging concepts, and much less the need for expensive temple-or-prison-like structures. The war on drugs should be ended immediately and those that have been incarcerated or on parole because of it released from such bondage. This would turn about a million people into wealth producers instead of wealth consumers, reunite parents with children and once again integrate people into the productive-morals-shaping private sector. The violent drug cartels that are destroying Mexico would also disappear.

Social Security can be abolished by giving its recipients a check for 6 months of payments. Will this lead to homeless elderly? No way! Many elderly are wealthy enough so they don't need their Social Security checks at all. The abolishment of minimum wage legislation will make it easy for the elderly to get low paying but easy and comfortable jobs which can supplement their savings in ways that will allow many to still be self-supporting. Most elderly that are unable to work and don't have enough savings/assets to live independent lives have family members who can take care of them. Most of these elderly will still be a net economic boost to those households that bring them in; they can help with the kids/grandkids, do various errands and so on. For those that become an economic drain on their families then we have to look at the families themselves. Many can easily deal with the additional costs/burden. By the time you are looking at those elderly who are too incapacitated and can't be taken care of by family, you are dealing with a very small number of people for whom there will be more than enough charity to deal with. If mankind managed to take care of the elderly throughout history when feeding and caring for the old was a hugely more difficult and expensive task, we can surely do it now with much less effort. What about their health care or health care in general? First of all, much of the health care the elderly get is unneeded; most of what goes for medicine in the US is really a society-wide placebo effect. The average Cuban lives just as long as the average

American even though the average Cuban gets little to no medical care compared to what Americans get. The abolishment of the FDA, American Medical Association, and the deregulation of the health care sector which should happen immediately would reduce the price of medical care tremendously and very fast. If we assume that the cost of medical care goes down by say 80% during the first year after deregulation (which I consider to be a very realistic assumption) then the fear of not having enough wealth to adequately care for even those elderly who don't have any family should go away. The US military and national defense budget can be quickly reduced to 1/5th of what it currently is. All troops from overseas can come home, given a check for 2 months pay and that's it. The government should continue to pay for the care of people who have been wounded/incapacitated. The national debt should simply be repudiated period! As Murray N. Rothbard writes:

“I propose, then, a seemingly drastic but actually far less destructive way of paying off the public debt at a single blow: out-right debt repudiation. Consider this question: why should the poor, battered citizens of Russia or Poland or the other ex-Communist countries be bound by the debts contracted by their former Communist masters? In the Communist situation, the injustice is clear: that citizens struggling for freedom and for a free-market economy should be taxed to pay for debts contracted by the monstrous former ruling class. But this injustice only differs by degree from "normal" public debt. For, conversely, why should the Communist government of the Soviet Union have been bound by debts contracted by the Czarist government they hated and overthrew? And why should we, struggling American citizens of today, be bound by debts created by a past ruling elite who contracted these debts at our expense?”¹⁵

If we reach enough of an understanding of freedom and economics to begin to implement these things then we have definitely reached enough of an ideological change where we can drop our borders and encourage anyone who wishes to do so to come to the US. The statue of liberty will once again be free to welcome people with her beautiful and compassionate message:

“Give me your tired, your poor, Your huddled masses yearning to breathe free, The wretched refuse of your teeming shore. Send these, the homeless, tempest-tost to me, I lift my lamp beside the golden door!”

Ouch! I'm being bitten by a moose. This section will have to remain unfinished but one gets the point. As long as a significant number of the population understands freedom, a quick transition such as the one hinted at here will be possible and the ideas should continue to spread at breakneck speed throughout the rest of the world rendering “foreign policy” discussions to the dustbin of history.

Men in pictures¹

Herbert Spencer was “the single most famous European

¹ The brief intros to these men are *extremely* brief and overlook many of their substantial contributions so check out the links in footnotes I've provided at the end of each thinker's sections.

intellectual in the closing decades of the nineteenth century”¹⁶ and a personal acquaintance of Charles Darwin who in a correspondence to Spencer said to him “*Every one with eyes to see and ears to hear (the number, I fear, are not many) ought to bow their knee to you, and I for one do*”¹⁷ and in another occasion referred to Spencer as “*twenty times my superior.*” Spencer was one of the first men to really believe and try to explain the workings of the entire world using an evolutionary process. Intellectual historian Pat Shipman writes that:

“since well before the publication of *The Origin of Species*, the philosopher Herbert Spencer had been developing concepts of society and government that were closely congruent with Darwin’s evolutionary ideas as he eventually articulated them. Indeed, one phrase now almost wholly identified with evolutionary theory—‘survival of the fittest’—was Spencer’s, not Darwin’s.... There is no question but that Darwin was heavily influenced by Spencer”¹⁸

Spencer’s superb understanding of all things science(biology/chemistry/physics/etc.) and the evolutionary processes that create the biological world shaped his mind to notice the same evolutionary processes acting on all natural phenomena including society and what he too called the social organism. He clearly understood how the order which emerged out of the actions of free individuals in the private sector created a vastly more productive social order than the law-made one of government bureaucracies. For example, in the following page-and-a-half Spencer pretty much explains how evolutionary forces are what create society and how clueless mankind is of this fact. This is a long quote, it is the last two thirds of a small essay titled “Spontaneous Reform”[text between brackets mine]:

“What has produced the transformation which has since taken place? Not legislation, not stern repression, not coercion. The improvement has slowly arisen, along with other social improvements, from natural causes. The *vis medicatrix nature* has been in operation. But this large fact and other large facts having like implications are ignored by our agitators[politicians]. They cannot be made to recognize the process of evolution resulting from men’s daily activities, though facts forced on them from morning till night show this in myriad fold ways. The houses they live in, their furniture, clothes, fuel, food — all are brought into existence by the spontaneous efforts of citizens supplying one another’s wants. The pastures and cornfields they travel through, cover areas originally moor and bog, which have been transformed by individual enterprise. The roads, the railways, the trains, the telegraphs, are products of combined exertions prompted by desires for profit and maintenance. The villages and towns they pass exhibit the accretions due to private actions. The districts devoted to one or other manufacture have been so devoted by men who were simply seeking incomes to live upon. The enormous distributing organization with its vast warehouses and retail shops lining the streets, carrying everywhere innumerable kinds of commodities, has arisen without the planning of any-one. Market towns, large and small, have without forethought become places of periodic exchanges; while exchanges of higher and larger kinds have established themselves in London, where, from hour to hour, you may feel the pulse of the world. So, too, by spontaneous co-operation has grown up that immense mercantile marine, sailing and steaming, which takes men everywhere and brings goods from all places.

And no less are we indebted to the united doings of private individuals for that network of submarine telegraphs by which there is now established something like a universal consciousness. All these things are non-governmental. If we ask how arose the science which guided the development of them, we find its origin to have been non-governmental. If we ask whence came all the

multitudinous implied inventions, the reply is that their origin, too, was non-governmental.[One should keep in mind that while England was overflowing with innovation and leading the way in the Industrial Revolution, the government had nothing to do with any sort of 'Science' education or the funding of scientific research like it does today] Of the Press, daily, weekly, monthly, we still have to say it is non-governmental. It is so with the great torrent of books continually issuing, as well as with the arts — music, painting, sculpture, in their various developments — and with the amusements, filling hours of relaxation. This vast social organization, the life of which we severally aid and which makes our lives possible by satisfying our wants, is just as much a naturally-developed product as is the language by which the wants are communicated. No State-authority, no king or council, made the one any more than the other. The ridiculous Carlylean theory of the Great Man and his achievements, absolutely ignores this genesis of social structures and functions which has been going on through the ages. The deeds of the ruler who modifies the actions of his generation, it confounds with the evolution of the great body-politic itself, of which those actions are but incidents. It is as though a child, seeing for the first time a tree from which a gardener is here cutting off a branch and there pruning away smaller parts, should regard the gardener, the only visible agent, as the creator of the whole structure: knowing nothing about the agency of sun and rain, air and soil. Undeveloped intelligences cannot recognize the results of slow, silent, invisible causes.

Education and culture as we now see them, do nothing to diminish this incapacity but tend rather to increase it. In so far as they are more than linguistic, the "Humanities," to which the attention of the young is mainly given, are concerned with personalities. After the traditional doings of gods and heroes, of great leaders and their conquests, come the products of the poets, of the historians, of the philosophers. And when study of earlier ages is supplemented by study of later ages, we find the so-called history composed of kings' biographies, the narratives of their conflicts, the squabbles and intrigues of their vassals and dependents. In the consciousness of one who has passed through the curriculum universally prevailing until recently, there is no place for natural causation. Instead, there exists only the thought of what, in a relative sense, is artificial causation — the causation by appointed agencies and through force directed by this or that individual will. Small changes wrought by officials are clearly conceived, but there is no conception of those vast changes which have been wrought through the daily process of things undirected by authority. And thus the notion that a society is a manufacture and not an evolution, vitiates political thinking at large; leading, as in the case which has served me for a text, to the belief that only by coercion can benefits be achieved. Is an evil shown? then it must be suppressed by law. Is a good thing suggested? then let it be compassed by an Act of Parliament."

Spencer was a champion of individual freedom and was fighting Imperialism(especially the British kind he was able to closely monitor¹),

¹There is a reason why Afghanistan is often times referred to as "The Graveyard of Empires". During Spencer's time, the British, just like the Russians would do in the 1980s and the Americans are doing today, were invading Afghanistan. In a brief essay titled "Patriotism" Spencer mentioned the following:

Some years ago I gave my expression to my own feeling — anti-patriotic feeling, it will doubtless be called — in a somewhat startling way. It was at the time of the second Afghan war, when, in pursuance of what were thought to be "our interests," we were invading Afghanistan. News had come that some of our troops were in danger. At the Athenæum Club a well-known military man — then a captain but now a general — drew my attention to

Socialism and government management long before they destroyed much of the 20th century. “The Father of Sociology”, biologist, economist, historian, you name it, Herbert Spencer was able to piece together a coherent understanding of the world just about as well as anyone could have possibly done at the time.¹⁹

Next we move on to **Carl Menger**²⁰, founder of the Austrian school of economics. His book “Principles of Economics”, published in 1871, provided the right foundation for the proper understanding of economics by identifying the true source of the value of goods. As previously discussed, Menger’s “subjective theory of value” explained how the value of goods depends on the minds that are doing the evaluation, not on how much work has been done to create the good, which is what Communists/Marxists believe and is commonly referred to as “the labor theory of value”. Although Spencer was doing a great job of using evolution to piece together a coherent understanding of the world and helping spread this sort of thinking across many intellectuals, it was Carl Menger with his insights into the evolution and emergence of things like money, law, banking, and other social institutions that cemented the link between an evolutionary process, the evolution or emergence of these social institutions and the growth of the social order. He saw how just like money, these institutions and the vital role they play in the social organism were not consciously designed or planned by men, but arose by an evolutionary process independent of man’s deliberate intentions, and that the inadvertent benefits provided by such institutions carried men to further heights. Next we move on to the 20th century’s greatest economist, **Ludwig von Mises**²¹. Grounded in the intellectual path laid by Carl Menger, his book “Theory of Money and Credit” showed how the business cycle, the booms and busts that plagued economies and continue to do so to this very day, are caused by governments meddling with their economies via inflation and artificial manipulations of interest rates, and not by some inherent weakness of a free-market economy/Capitalism. His essay “Economic Calculation in the Socialist Commonwealth” in 1920 showed how a centrally planned economy could not work and inevitably lead to economic chaos, period! A couple of years later in 1922 his book “Socialism: An Economic and Sociological Analysis” would add yet another devastating blow to this disastrous ideology, which leads us to **Friedrich A. Hayek**²².

In Hayek’s words: “When Socialism[Mises’ book] first appeared in 1922, its impact was profound. It gradually but fundamentally altered the outlook of many of the young idealists returning to their university studies after World War I. I know, for I was one of them.”²³ Being able to stand on the shoulders of Mises and Menger, Hayek elaborated on Mises’ ideas on the business cycle and was surprisingly awarded the 1974 Nobel Prize in economics many years after he had focused his energies in pure economics.

Perhaps due to Hayek’s upbringing he was very likely to see the vital role that evolution would play in society. Hayek’s father was a botanist and Hayek was raised in an environment where the natural sciences and evolution

a telegram containing this news, and read it to me in a manner implying the belief that I should share his anxiety. I astounded him by replying – “When men hire themselves out to shoot other men to order, asking nothing about the justice of their cause, I don’t care if they are shot themselves.”

were all around him. “My parents, though they had never formally left the ancestral Roman Catholic Church, held no religious beliefs. Though they were no longer fiercely anti-religious (as I suspect my paternal grandfather was, along with so many of the scientists of his generation), all positive dogma was for them a superstition of the past. They never took me to church. And though as part of my general education I was, soon after I had begun to read for pleasure, given a child’s Bible, it disappeared mysteriously when I got too interested in it.” (Hayek F. , 1994, p. 40) The ideas of Carl Menger, his insights into the evolutionary origins of things like money and law laid the foundation on which Hayek would continue to build on and had the most profound impact on him. “I only met Mises really after I had taken my degree. But I now realize—I wouldn’t have known it at the time—the decisive influence was just reading Menger’s *Principles*. I probably derived more from not only the *Principles* but also the *Investigations*¹.” Hayek found Menger’s *Principles* “such a fascinating book—so satisfying.” In many ways I think of Hayek as Herbert Spencer part two. Hayek simply continued to explain and intertwine all natural phenomena as being the outcome of a selective process. After his early concentration in economics Hayek immersed himself in a very theoretical work on psychology titled “The Sensory Order” in which he essentially says that the neurological order that emerges in our brains as we learn/live/experience the world around us is also shaped by a selective process similar to how selective processes shape the biological as well as the social order. He was able to absorb the ideas of the growing field of Sociobiology/‘Evolutionary Psychology’ and incorporate this better understanding of human nature into his work while at the same time criticizing the emerging field of Sociobiology/‘Evolutionary Psychology’ for its ignorance and reluctance to see how group selection works at the cultural level, i.e. at the level of our “cultural books”² and the human ant-farms that contain them.

The bottom line with respect to F.A. Hayek is that he was able to put it all together; a coherent understanding of the world based on the simple evolutionary forces that shape all order. Again,

“We understand now that all enduring structures above the level of the simplest atoms, and up to the brain and society, are the results of, and can be explained only in terms of, processes of selective evolution...” (Hayek F. , 1981, p. 158)

And it is for this reason that I have chosen him as a prominent part of the book’s title (with Spencer coming in a close second).

Next we move on to the man who Ludwig von Mises once referred

¹ “Investigations” refers to Menger’s other major work “Investigations Into the Method of the Social Sciences”. In this book Menger goes into more detail about the “organic” or evolved origins of law, governments and other social institutions.

² To this day when biologists and evolutionary psychologists hear of “group selection” they discard it because the concept of group selection has been shown to play little to no role at the genetic level. Since most biologists are too focused on the level of the genes, they fail to think at the level of competing human ant-farms and the laws/rules/customs which lead to the survival and natural selection of human ant-farms. In our modern evolution, say the last 50,000 years, the evolution at the level of the human ant-farms/groups has been where all the interesting things have been happening. But your average biologist has no understanding whatsoever of economics much less even heard of F.A. Hayek. Things will change though.

to as “our leader”, **Henry Hazlitt**²⁴. Henry Hazlitt is in this list of men not because of any intellectual breakthroughs which have greatly increased our understanding of the world but because he is a great example of what a single human being, following his own desire to make sense of the world and to spread the ideas which can improve it can achieve. Too poor to continue his college education due to his need to support his mother after his step-father’s death, Hazlitt simply educated himself. “He read about evolution and the role of the state by reading Herbert Spencer.” (Sennholz, p. 13) As a journalist working at The New York Times, Hazlitt introduced America to the works of Mises and Hayek, and was one of the few personal contacts that Mises had when he arrived in the United States fleeing Nazi persecution in Europe. His classic “Economics in One Lesson” originally written in 1946 is still regarded by many as the best introduction to the subject and played a key role in educating many people who would become many of today’s leading economists/libertarians. Without any “formal” training in economics he became one of the best economists of his time and in his “The Failure of the ‘New Economics’” he demolished Keynes’ “The General Theory of Employment, Interest, and Money” which served as the intellectual foundation for the bad economic policies of the time which still form the basis for our government sanctioned brand of economics.

And last but definitely not least we have **Murray N. Rothbard**²⁵. With economic theory already hammered out by Mises and to a lesser extent Hayek, Rothbard would build himself a superb pair of what I’ll call ‘intellectual glasses’ with which to peer into history and properly explain the root causes of economic crises like ‘America’s Great Depression’ in his likewise titled book and ‘A History of Money and Banking in the United States’. With such ‘intellectual glasses’ Rothbard’s keen eye could better understand the inevitable corruption and self-serving relationships that evolve between large corporations (Wall-Street), banks, and the government, helping add fuel to the growth of government.

Unlike Mises who felt like government was necessary for some basic services, or Hayek who could tolerate all kinds of government interventions²⁶, Rothbard would take freedom to its limit by preaching for the complete abolishment of government as we know it and therefore for the privatization of everything. Perhaps Rothbard’s greatest contributions might end up being his short books/pamphlets which helped explain basic monetary theory and the damage done by the Federal Reserve to thousands and perhaps by now, or very soon, millions. Books like “What Has Government Done to Our Money” and “The Case Against the Fed” are great examples of the perfect bite-sized chunks of knowledge which are needed to go viral to help overcome the economic ignorance that ultimately fuels our government growth.

Ayn Rand, Mises, Rothbard, and Hayek revisited

I would like to finish this small section by highlighting some ideological differences between some of these thinkers. These differences are not only interesting given that they help us gain a better understanding of highly influential thinkers, but they are also a sort of window into ways of looking at the world that are shared by many people and have important ramifications.

This book has been all about ‘Natural Selection’, about a simple process which first evolved biological evolution to create biological order and then evolved the market process to create social order. If we look at the evolution of the social order, at what point did man’s ability to properly think about society and use his ability to reason become the most important factor in his success compared to the evolutionary forces that were inadvertently shaping his culture and evolving the market process? We know that the evolution of money, something which plays such a crucial role in the emergence of modern civilization had little to do with man’s reason, and the same can be said for the knowledge-sharing mechanisms that competition and interest rate-coordination bring about. Again, generally speaking we can be fairly certain in stating that ‘the market process’, regardless of the tiny number of economists and philosophers who have properly defended it or have written about it, has been designed by an evolutionary process *which has often times gone against human reason*. The social organism is held together and expanded not by its individual cells or people, but by a process, which requires freedom to a large degree. Particular human beings, no matter how smart or driven they might be, are insignificant compared to the workings of the market process. No matter how good a job a particular cell does in the human body, its contribution is insignificant compared to the contribution made by the various ‘systems’ or ‘processes’ that help manage and coordinate the billions of cells we are made up of. Similarly, ‘bright’ individuals or ‘great thinkers’ are likewise insignificant when it comes to the functioning of society. Without the proper understanding of the market process and the key role that evolutionary forces have played in its design, it is very easy for people to give too much credit to human reason and the achievements of particularly successful and productive people when it comes to mankind’s march towards progress. And as a consequence of this, either ignore or downplay the evolutionary forces that in my view have played a bigger role. Ok, with this in mind let’s get to some differences...

For example, while criticizing Hayek’s ideas about the nature of man, Murray N. Rothbard summarizes what he perceives are fundamental differences between Hayek’s and Mises’ ideological foundations: “His major problem, and his major divergence from Mises, is that Hayek, instead of analyzing man as rational, conscious, and purposive being, considered man to be irrational, acting virtually unconsciously and unknowingly.” (Rothbard, 1995, p. 379) Yes. Hayek did not see man as being all that rational or at least downplayed man’s ability to reason compared to other factors that led to his success. Once again we have to remind ourselves that until very recently mankind has been living in a highly superstitious world where the concept of ‘science’ did not even exist. Hayek did not see man’s reason as being as important as the evolutionary processes that would shape his culture. To Hayek, culture is what brainwashed man as he grew up to be more rational, and it was the content of the “cultural books” which men absorbed as they grew up that molded their minds to be more and more reasonable. Since culture was not stored in our genes but in our societies/groups, Hayek understood the vital role that group selection played in the evolution of “cultural books” and their ability to shape a more reasonable and productive man. To Hayek man was simply an animal with a very advanced brain which was unknowingly brainwashed as it grew in society to act more rationally, consciously, and with purpose within the bounds of the culture he absorbs as

well as the biological impulses/instincts that are a part of his nature, a nature that was shaped by natural selection to deal with a much simpler and tribal world. Now, I'm not saying that people like Rothbard and Mises did not appreciate the impact and evolution of culture or that Hayek felt like "reason" is/was not important. Let me put it this way, if one could put human reason and individual achievement on one side and cultural evolution and the market process on the other as part of a scale used to measure their importance in human achievement, some people like Mises and Rothbard and novelists like Ayn Rand would probably land closer to the human reason side than Hayek would.

Ayn Rand, whose novels and philosophy put human reason and great individual achievement on a pedestal, was greatly admired by both Mises and Rothbard at some point during their lives, and after reading her most famous novel *Atlas Shrugged*²⁷ they wrote letters full of praise to her. For example, Mises wrote to her that:

"You have the courage to tell the masses what no politician told them: you are inferior and all the improvements in your conditions which you simply take for granted you owe to the effort of men who are better than you."²⁸

I disagree with this statement and I think that a more Hayek-minded person would feel likewise. I think that the relative differences in capacity for great achievements between people is insignificant compared to the market process and an environment that allows average people to combine their intelligence in ways which leads to amazing breakthroughs and individual accomplishments. Anyways, I'm probably misrepresenting Mises' and Rothbard's views but I think I'm making an important point.

When discussing what he considers are his differences with Mises, Hayek told economist Jack High in 1978:

"...in most instances I found he was simply right; but in some instances, particularly the philosophical background—I think I should put it that way—Mises remained to the end a utilitarian rationalist. I came to the conclusion that both utilitarianism as a philosophy and the idea of it—that we were guided mostly by rational calculations—just would not be true.

That led me to my latest development, on the insight that we largely had learned certain practices which were efficient without really understanding why we did it; so that it was wrong to interpret the economic system on the basis of rational action. It was probably much truer that we had learned certain rules of conduct which were traditional in our society. As for why we did, there was a problem of selective evolution rather than rational construction."²⁹

In another occasion he said that Mises:

"had great influence on me, but I always differed, first not consciously and now quite consciously. Mises was a rationalist utilitarian and I am not. He trusted the intelligent insight of people pursuing their known goals, rather disregarding the traditional element, the element of surrounding rules... He would believe that the legal system—no, he wouldn't believe that it was invented; he was too much a pupil of Menger for that. Be he still was inclined to see [the legal system] as a sort of rational construction. **I don't think the evolutionary aspect, which is very strongly in Menger, was preserved in the later members of the Austrian school. I must say 'til I came, really, in between there was very little of it.**"³⁰ (bold emphasis mine)

Although Menger was a pioneer in highlighting the importance of the individual and his freedom as being the crucial ingredients in economic calculation, he was very much working within and evolutionary paradigm³¹. The evolutionary paradigm helped him explain things like the evolution of money and have a better understanding how social institutions emerge without conscious human planning or design. As Hayek writes, it really wasn't until Hayek came along that the strong evolutionary paradigm was once again used. I think that this helps explain why Mises and Rothbard were(at some point³²) big fans of Ayn Rand and her hyper-rationalist ideology.

Let's say a few things about differences between Rothbard's and Hayek's views on government. For example, Rothbard has written that "the State is nothing more nor less than a bandit gang writ large"³³. As the quote implies, for Rothbard and some of his closest followers, government is an apparatus of coercion that uses its power to tax and regulate to nourish itself and the people connected to it at the expense of society at large. This sort of ideology would motivate Rothbard to write about the *individuals* high up in government(or very connected to it) who would use government to enrich themselves at the expense of society. For example, in Rothbard's **awesome** "The Mystery of Banking"³⁴, besides explaining the economics of central banking and how the Federal Reserve works, he gives a great overview of how the large banking firms like the Morgans and Rockefellers and other politically connected entities played a leading role in the establishment of the Federal Reserve. Rothbard's focus on the individuals can give some of Rothbard's writings a sort of 'conspiracy theory' feel which some people naively dismiss but provides crucial insights on how individuals and the politically connected play a key role in pushing society in various directions. I disagree with Rothbard's statement that the State is a 'bandit gang writ large'. Gangs of bandits are consciously setup for the purpose of theft while the government has *inadvertently evolved* for a plethora of socially useful purposes. It is true that in order to achieve these purposes the government has inadvertently evolved to be a monopolistic entity that is easily corrupted and must confiscate wealth and regulate, but unlike a gang of bandits whose clear intent is to plunder and is a deliberately planned arrangement, governments, just like language, law, money, and religion, are the results of human action, but not the result of conscious planning or design. As I've mentioned before, although government is responsible for most of our problems, it has been naturally selected for, and is in many ways responsible for getting us to where we are. Just like religion has led to many problems yet we owe much of our order to it, the same can be said about government. Treating government as 'a bandit gang writ large' led to Rothbard being labeled as an 'extremist' which has unfortunately helped his great books and writings remain less well known, but the truth of his economic reasoning and historical work is unshakable and playing a leading role in the intellectual revolution we are in the midst of.

In an article titled "Do You Hate the State" Rothbard writes:

"Let us take, for example, two of the leading anarcho-capitalist works of the last few years: my own *For a New Liberty*³⁵ and David Friedman's *Machinery of Freedom*³⁶. Superficially, the major differences between them are my own

stand for natural rights and for a rational libertarian law code¹, in contrast to Friedman's amoralist utilitarianism and call for logrolling and trade-offs between non-libertarian private police agencies. But the difference really cuts far deeper. There runs through *For a New Liberty* (and most of the rest of my work as well) a deep and pervasive hatred of the State and all of its works, based on the conviction that the State is the enemy of mankind. In contrast, it is evident that David does not hate the State at all; that he has merely arrived at the conviction that anarchism and competing private police forces are a better social and economic system than any other alternative. Or, more fully, that anarchism would be better than *laissez-faire* which in turn is better than the current system. Amidst the entire spectrum of political alternatives, David Friedman has decided that anarcho-capitalism is superior. But superior to an existing political structure which is pretty good too. In short, there is no sign that David Friedman in any sense hates the existing American State or the State *per se*, hates it deep in his belly as a predatory gang of robbers, enslavers, and murderers. No, there is simply the cool conviction that anarchism would be the best of all possible worlds, but that our current set-up is pretty far up with it in desirability. For there is no sense in Friedman that the State – any State – is a predatory gang of criminals.”³⁷

Here we can once again see the sort of moral indignation which Rothbard uses to hate the State. When one looks at the intellectual currents that are currently fueling the intellectual revolution, especially as it pertains to the great success of the Ron Paul Revolution, one stumbles upon think-tanks like the Mises Institute which was the intellectual home of Rothbard. Many of the scholars at the Mises Institute are also Christians who I think are more likely to be more attracted to the “Natural Law”/moral/rights approach of Rothbard instead of the evolutionary Hayekian approach. Religion also carries with it the concepts of good and evil and a moral indignation towards “evil” which I think can further motivate people to be active and I think this additional motivation has further helped the revolution grow.

The bottom line is that with Hayek and Rothbard you really get the best of both worlds, you get an understanding of how evolutionary forces help shape and evolve the social order(Hayek) and you also get a great understanding of how governing structures are influenced by good’ol corruption and self-interested thinking(Rothbard).

Anyways, I'm sure I have greatly stretched my limited understanding of this topic, but what the heck, I've already done a lot of stretching in biology, history, economics, etc. But that's ok, Hayek can bail me out with this quote:

“Yet, although the problem of an appropriate social order is today studied from the different angles of economics, jurisprudence, political science,

¹ “natural rights and for a rational libertarian law code” Rothbard believed that we could use our reason to sort of deduce the ideal or perfect law code. Rothbard believed in the idea of “Natural Rights”, a sort of fixed definition of right and wrong. This would go counter to a Hayekian approach where society's views of right and wrong are based on the rules and norms that have currently evolved to define such concepts. Hayek never gave the concept of “Natural Rights” any time because from his evolutionary framework it does not make any sense. From a Hayekian perspective there is no “right” or “wrong”, there is natural selection period. Also, it should come as no surprise that Friedman dedicated his book to Hayek among others.

sociology, and ethics, the problem is one which can be approached successfully only as a whole. This means that whoever undertakes such a task today cannot claim professional competence in all fields with which he has to deal, or be acquainted with the specialized literature available on all the questions that arise." (Hayek F. A., 1973, p. 4)

Henry Hazlitt's inspirational words

The following is the last third of a speech given by Henry Hazlitt on his 70th birthday, November 29th, 1964. He gave this speech in front of many of his friends including the great Ludwig von Mises. The entire speech can be found in Chapter 4, "Reflections at 70", of a great book titled "The Wisdom of Henry Hazlitt". Whenever I get a little discouraged, this is what I read. As one reads it, it is important to keep in mind that his words were spoken in the middle of the Cold War, when Communism was spreading and liberty declining.

³⁸ "...Those of us who place a high value on human liberty, and who are professionally engaged in the social sciences—in economics, in politics, in jurisprudence— find ourselves in a minority (and it sometimes seems a hopeless minority) in ideology. There is a great vogue in the United States today for "liberalism." Every American leftist calls himself a liberal! The irony of the situation is that we, we in this room, are the true liberals, in the etymological and only worthy sense of that noble word. We are the true adherents of liberty. Both words—liberal and liberty— come from the same root. We are the ones who believe in limited government, in the maximization of liberty for the individual and the minimization of coercion to the lowest point compatible with law and order. It is because we are true liberals that we believe in free trade, free markets, free enterprise, private property in the means of production; in brief, that we are for capitalism and against socialism. Yet this is the philosophy, the true philosophy of progress, that is now called not only conservatism, but reaction, the Radical Right, extremism, Birchism, and only Bill Buckley here knows how many other terrible things it's called.

Now this is no petty or narrow issue that ties us in this room together. For on the outcome of the struggle in which we are engaged depends the whole future of civilization. Our friend, Friedrich Hayek, in his great book, *The Road to Serfdom*, which was published 20 years ago, pointed out that it was not merely the views of Cobden and Bright that were being abandoned, or even of Hume and Adam Smith, or even of Locke and Milton. It was not merely the liberalism of the 18th and 19th centuries that was being abandoned; it was the basic individualism that we had inherited from Christianity and the Greek and Roman world, and that was reflected in the writings of such figures as Pericles and Thucydides. This is what the world is in danger of abandoning today. Why? Why, if, as we like to think, reason is on our side? Why are we drifting deeper and deeper into socialism and the dark night of totalitarianism? Why have those of us who believe in human liberty been so ineffective?

We Haven't Been Good Enough

I am going to give what is no doubt a terribly oversimplified answer to that question. In the first place, we are almost hopelessly outnumbered. Our voices are simply drowned out in the general tumult and clamor. But there is

another reason. And this is hard to say, above all to an audience of this sort, which contains some of the most brilliant writers and minds in the fields of economics, of jurisprudence, of politics, not only of this age but of any age. But the hard thing must be said that, collectively, we just haven't been good enough. We haven't convinced the majority. Is this because the majority just won't listen to reason? I am enough of an optimist, and I have enough faith in human nature, to believe that people will listen to reason if they are convinced that it is reason. Somewhere, there must be some missing argument, something that we haven't seen clearly enough, or said clearly enough, or, perhaps, just not said often enough.

A minority is in a very awkward position. The individuals in it can't afford to be just as good as the individuals in the majority. If they hope to convert the majority they have to be much better; and the smaller the minority, the better they have to be. They have to think better. They have to know more. They have to write better. They have to have better controversial manners. Above all, they have to have far more courage. And they have to be infinitely patient.

When I look back on my own career, I can find plenty of reasons for discouragement, personal discouragement. I have not lacked industry. I have written a dozen books. For most of 50 years, from the age of 20, I have been writing practically every weekday: news items, editorials, columns, articles. I figure I must have written in total some 10,000 editorials, articles, and columns; some 10,000,000 words! And in print! The verbal equivalent of about 150 average-length books!

And yet, what have I accomplished? I will confess in the confidence of these four walls that I have sometimes repeated myself. In fact, there may be some people unkind enough to say I haven't been saying anything new for fifty years! And in a sense they would be right. I have been preaching essentially the same thing. I've been preaching liberty as against coercion; I've been preaching capitalism as against socialism; and I've been preaching this doctrine in every form and with any excuse. And yet the world is enormously more socialized than when I began.

There is a character in Sterne or Smollett—was it Uncle Toby? Anyway, he used to get angry at politics, and every year found himself getting angrier and angrier and politics getting no better. Well, every year I find myself getting angrier and angrier and politics getting worse and worse.

But I don't know that I ought to brag about my own ineffectiveness, because I'm in very good company. Eugene Lyons has been devoting his life to writing brilliantly and persistently against Communism. He now even has the tremendous circulation of the *Reader's Digest* behind him. And yet, at the end of all these years that he has been writing, Communism is stronger and covers enormously more territory than when he started. And Max Eastman has been at this longer than any of the rest of us, and he's been writing a poetic and powerful prose and throwing his tremendous eloquence into the cause, and yet he's been just as ineffective as the rest of us, so far as political consequences are concerned.

Yet, in spite of this, I am hopeful. After all, I'm still in good health, I'm still free to write, I'm still free to write unpopular opinions, and I'm keeping at it. And so are many of you. So I bring you this message: Be of good heart:

be of good spirit. If the battle is not yet won, it is not yet lost either.

Our Continuing Duty

I suppose most of you in this room have read that powerful book, George Orwell's 1984. On the surface it is a profoundly depressing novel, but I was surprised to find myself strangely encouraged by it. I finally decided that this encouragement arose from one of the final scenes in it. The hero, Winston Smith, is presented as a rather ordinary man, an intelligent but not a brilliant man, and certainly not a courageous one. Winston Smith has been keeping a secret diary, in which he wrote: "Freedom is the freedom to say that two and two makes four." Now this diary has been discovered by the Party. O'Brien, his inquisitor, is asking him questions. Winston Smith is strapped to a board or a wheel, in such a way that O'Brien, by merely moving a lever, can inflict any amount of excruciating pain upon him (and explains to him just how much pain he can inflict upon him and just how easy it would be to break Smith's backbone). O'Brien first inflicts a certain amount of not quite intolerable pain on Winston Smith. Then he holds up the four fingers of his left hand, and says, "How many fingers am I holding up? Winston knows that the required answer is five. That's the Party answer. But Winston can't say anything else but four. So O'Brien moves the lever again, and inflicts still more agonizing pain upon him, and says, "Think again. How many fingers am I holding up?" Winston Smith says, "Four. Four. Four fingers." Well, he finally capitulates, as you know, but not until he has put up a magnificent battle.

None of us is yet on the torture rack; we are not yet in jail; we're getting various harassments and annoyances, but what we mainly risk is merely our popularity, the danger that we will be called nasty names. So, before we are in the position of Winston Smith, we can surely have enough courage to keep saying that two plus two equals four.

This is the duty that is laid upon us. We have a duty to speak even more clearly and courageously, to work harder, and to keep fighting this battle while the strength is still in us. But I can't do better than to read the words of the great economist, the great thinker, the great writer, who honors me more than I can say by his presence here tonight, Ludwig von Mises. This is what he wrote in the final paragraph of his great book on socialism 40 years ago:

"Everyone carries a part of society on his shoulders; no one is relieved of his share of responsibility by others. And no one can find a safe way out for himself if society is sweeping towards destruction. Therefore, everyone, in his own interests, must thrust himself vigorously into the intellectual battle. None can stand aside with unconcern; the interests of everyone hang on the result. Whether he chooses or not, every man is drawn into the great historical struggle, the decisive battle into which our epoch has plunged us."

Those words – uncannily prophetic words – were written in the early 1920's. Well, I haven't any new message, any better message than that.

Even those of us who have reached and passed our 70th birthdays cannot afford to rest on our oars and spend the rest of our lives dozing in the Florida sun. The times call for courage. The times call for hard work. But if the demands are high, it is because the stakes are even higher. They are nothing less than the future of human

liberty, which means the future of civilization.”

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Last I would like to thank, well, natural selection for making it all happen. To my knowledge we humans are probably near the forefront of the very creation of order in the universe. Although, when you consider that there are trillions of stars in the universe and an even greater number of planets, and with natural selection is selecting for order in all of them, chances are that our life/order is not all that unique or advanced. Oh well, either way we are very very fortunate to have reached our level of order and to be 'alive' at this very moment.

¹ See article “The Rise of the West” by Robert Higgs available here <http://mises.org/daily/5078/The-Rise-of-the-West> . First printed in the July 2002 issue of the Freeman

² This does not mean that until the 20th century the world was on a 100% reserve gold standard because it certainly wasn't, but at least this was the expectation and gold played a much more important role as money than it does today.

³ North, Gary “Imitate Hayek” August 24th, 2004 <http://www.lewrockwell.com/north/north298.html>

⁴ Two such intellectual entrepreneurs I want to bring to the reader's attention are Ryan Faulk <http://fringeelements.info/> <http://www.youtube.com/fringeelements> and Stefan Molyneux <http://www.freedomainradio.com/>

⁵ I'm not saying that there aren't a ton of them. Or that clear personal gain to the detriment of mankind is not a significant factor, it is just that these things are not as important as our economic ignorance. A good book that shows the clear intent of people in power to manipulate government power for their gain is Murray N. Rothbard's “Wall Street, Banks, and America's Foreign Policy” available here for free: <http://mises.org/rothbard/WSBanks.PDF> . The closest thing we probably have to a conspiracy of a few is the banking establishment. The banking industry, being so important and naturally intertwined with government finance, inevitably grows dependent and manipulative or influential of governmental duties.

As Rothbard writes in the beginning of the book:

“Businessmen or manufacturers can either be genuine free enterprisers or statist; they can either make their way on the free market or seek special government favors and privileges. They choose according to their individual preferences and values. But bankers are inherently inclined toward statism.

Commercial bankers, engaged as they are in unsound fractional reserve credit, are, in the free market, always teetering on the edge of bankruptcy. Hence they are always reaching for government aid and bailout.

Investment bankers do much of their business underwriting government bonds, in the United States and abroad. Therefore, they have a vested interest in promoting deficits

and in forcing taxpayers to redeem government debt. Both sets of bankers, then, tend to be tied in with government policy, and try to influence and control government actions in domestic and foreign affairs.” (Rothbard, 2011, p. 1)

Of special importance is the banking establishment’s role in promoting war, and most importantly for our purposes since it has already been discussed is WWI. Rothbard writes:

“The United States had been in a sharp recession during 1913 and 1914; unemployment was high, and many factories were operating at only 60% of capacity. In November 1914, Andrew Carnegie, closely allied with the Morgans ever since his Carnegie Steel Corporation had merged into the formation of United States Steel, wrote to President Wilson lamenting business conditions but happily expecting a great change for the better from Allied purchases of U.S. exports.

Sure enough, war material exports zoomed. Iron and steel exports quintupled from 1914 to 1917, and the average profit rate of iron and steel firms rose from 7.4% to 28.7% from 1915 until 1917. Explosives exports to the Allies rose over ten-fold during 1915 alone. Overall, from 1915 to 1917, the export department of J. P. Morgan and Co. negotiated more than \$3 billion of contracts to Britain and France. By early 1915, Secretary McAdoo was writing to Wilson hailing the “great prosperity” being brought by war exports to the Allies, and a prominent business writer wrote the following year that “War, for Europe, is meaning devastation and death; for America a bumper crop of new millionaires and a hectic hastening of prosperity revival.”

Deep in Allied bonds and export of munitions, the Morgans were doing extraordinarily well; and their great rivals, Kuhn, Loeb, being pro-German, were necessarily left out of the Allied wartime bonanza. But there was one hitch: it became imperative that the Allies win the war. It is not surprising, therefore, that from the beginning of the great conflict, J. P. Morgan and his associates did everything they possibly could to push the supposedly neutral United States into the war on the side of England and France. As Morgan himself put it: “We agreed that we should do all that was lawfully in our power to help the Allies win the war as soon as possible.” (Rothbard, 2011, pp. 18-19)

“American entry into World War I in April 1917 prevented negotiated peace between the warring powers, and drove the Allies forward into a peace of unconditional surrender and dismemberment, a peace which, as we have seen, set the stage for World War II. American entry thus cost countless lives on both sides, caused chaos and disruption throughout central and eastern Europe at war’s end, and the consequent rise of Bolshevism, fascism, and Nazism to power in Europe. In this way, Woodrow Wilson’s decision to enter the war may have been the single most fateful action of the twentieth century, causing untold and unending misery and destruction. But Morgan profits were expanded and assured.” (Rothbard, 2011, p. 23)

⁶ Glenn Beck’s program on CNN aired Nov 12th 2007 <http://transcripts.cnn.com/TRANSCRIPTS/0711/12/gb.01.html> . This was back in the day when Beck had little understanding of freedom and what Ron Paul was about. He has since become a much better supporter of freedom and Ron Paul.

⁷ Media Matters for America, “O’Reilly on ACLU: “I think they’re a terrorist group. ... I think they’re terrorists” <http://mediamatters.org/items/200503030007>

⁸ Paul, Ron. “Mises and Austrian Economics”, page 4.

⁹ See Murray N. Rothbard’s “America’s Great Depression” in Amazon.com and compare its glowing reviews to top mainstream economist, Federal Reserve Chairman Ben Bernanke’s “Essays on the Great Depression”

¹⁰ Paul, Ron. “Mises and Austrian Economics”, Page 3

¹¹ <http://mises.org/daily/5247/Is-There-Hope-for-Liberty-in-Our-Lifetime> Speech was made on April 9th 2011

¹² Actually, even these books are not bite-sized enough for what I had been hoping for. See my post at <http://blog.mises.org/7294/the-one-lesson/>

¹³ At least in a footnote I have to mention something that can, and has backfired, on the Ron Paul Revolution. I am referring to some newsletters published under Ron Paul's name where some *seemingly* small rants against *some* black people could be found. For example, in one of them it says:

“The criminals who terrorize our cities -- in riots and on every non-riot day -- are not exclusively young black males, but they largely are. As children, they are trained to hate whites, to believe that white oppression is responsible for all black ills, to ‘fight the power,’ to steal and loot as much money from the white enemy as possible.”

Let's “keep it real” now. I am sure that this statement properly reflects some part of our reality. From the little research I've done about such newsletters I have not really found anything all that improper. But this brings us to an important point. I think that *some* people who stumble upon libertarianism and small-government views originally do so out of their dislike/fear of African Americans, or more specifically, parts of culture more closely associated with African Americans like the often times despised Rap/Hip-Hop. To many whites, stereotypical images of black inner-city ghettos full of drug dealers and women having children out of wedlock and being taken care of by welfare payments that whites are more likely to fund, are a constant thorn which inadvertently motivates some to look for justifications or ideologies that put an end to such welfare payments and eventually this helps some reach economically conservative/libertarian policies. This might make it seem that some of these individuals end up being libertarians because they are “racists”. It is unfortunate that this association occurs, and if the newsletters reveal some truly “racist” remarks which make it easier for the public to further equate small-government thinking with racism instead of disliking the funding of destructive policies, then the Ron Paul Revolution and libertarianism in general will take a hit, but just a small one, because eventually the truth comes out. If Ron Paul had his way he would free the hundreds of thousands of African Americans who are in jail and particularly hurt by the drug war and the truly racist white police establishment that uses it to harass African Americans. Anyone who truly focuses on understanding Ron Paul's views will quickly realize that his views and policies are the best for everyone, especially for African Americans.

¹⁴ I am oversimplifying here. Most people in the military consume much more wealth than what they would initially produce in the private sector.

¹⁵ See Rothbard's article “Repudiating the National Debt” <http://mises.org/daily/1423>

¹⁶ Thomas Eriksen and FinnNielsen, *A history of anthropology* (2001) p. 37

¹⁷ Letter from Darwin to Spencer on June 10th, 1872 see <http://goo.gl/mHXVF>

¹⁸ I originally saw this quote on (Ebenstein, 2003, p. 4) which refers to Pat Shipman, *The Evolution of Racism* (New York: Simon & Schuster, 1994), 107

¹⁹ For more on Spencer see http://en.wikipedia.org/wiki/Herbert_Spencer . Spencer's views are often times misrepresented. I don't have the time to further elaborate on this here but would like to refer the reader to two great articles that help debunk such attacks on Spencer. Both are written by Roderick T. Long : “Herbert Spencer: The Defamation Continues” available here: <http://www.lewrockwell.com/orig3/long3.html> and “Defaming Herbert Spencer? A Reply to Edwin Black” available here: <http://www.lewrockwell.com/orig3/long5.html>

²⁰ For a better introduction to Carl Menger see Joseph Salerno's short biography on Menger here <http://mises.org/about/3239>

²¹ Better Mises intro by Murray N. Rothbard can be found here <http://mises.org/about/3248>

²² More about Hayek here <http://mises.org/about/3234>

²³ First saw this in (Ebenstein, 2001, p. 40), refers to the foreword on the 1978 edition of Mises' “Socialism”

²⁴ More on Hazlitt here <http://mises.org/about/3233>

²⁵ More on Rothbard here <http://mises.org/about/3249>

²⁶ See Hans-Hermann Hoppe's "Why Mises (and not Hayek)?" for a great overview of some of the state interventions Hayek tolerates. Available here: <http://mises.org/daily/5747/Why-Mises-and-not-Hayek>

²⁷ While I can understand why many people have found her novels very enjoyable and amazing, with the exception of her short story "Anthem", which I did not find the least bit entertaining or amusing, I have not finished either of her famous "The Fountainhead" or "Atlas Shrugged". I don't remember which of these I was reading but in parts where she is describing the heroic male leads, I thought that if she was writing the novel in today's America, instead of these idealized Nordic white males she should instead describe someone who looks more like a Wesley Snipes given how black male leads have come to dominate current culture. Since my worldview places little importance on the characteristics or talents of the individual and much importance on freedom and the workings of the market process, her novels which stress the greatness of men just didn't really captivate me. This statement might be premature; I would not be surprised if I change my mind as I build up the interest and finish them.

²⁸ Letter from Ludwig von Mises to Ayn Rand dated January 23, 1958

²⁹ I stumbled upon quote in (Ebenstein, Hayek's Journey, p. 54) which refers to "Nobel Prize-Winning Economist Friedrich A. von Hayek," Oral History Program, University of California at Los Angeles (1983) p. 176-77

³⁰ Again, first saw quote in (Ebenstein, Hayek's Journey, p. 55) which refers to "Nobel Prize-Winning Economist Friedrich A. von Hayek," Oral History Program, University of California at Los Angeles (1983) p. 241-42

³¹ I am curious as to how influential Herbert Spencer was on Menger. Menger's second book "Investigations into the Method of the Social Sciences" had sections titled things like "The Organic Understanding of Social Phenomena" and "The Analogy Between Social Phenomena and Natural Organisms..." and it also refers to Spencer several times.

³² I write "at some point" because eventually Rothbard would wake up from the Randian spell. At one time Murray was a close acquaintance of Ayn Rand and her circle of intellectuals, but eventually these people expected Rothbard to be "rational" enough to leave his Christian wife, Joey, for a more "rational" mate*. Eventually Murray would mock the Randian cult by writing a play titled "Mozart Was a Red" which made fun of the self-righteous and elitist attitude which would eventually plague many people attracted to Rand's philosophy. Since Ayn Rand felt like man, via his reason could rationally mold or shape his life, she downplayed the role that human nature and our tribal instincts play and ultimately human nature sort of gave her a slap in the face when Nathaniel Branden, who was 24 years younger than her and she was having an affair with, left her for a much younger model that he would eventually marry.

*http://mises.org/multimedia/mp3/Freedom96/04_Freedom_JRothbard.mp3

³³ <http://www.lewrockwell.com/rothbard/rothbard160.html>

³⁴ Available here: <http://mises.org/Books/mysteryofbanking.pdf> This book is a **MUST READ**

³⁵ Available here: <http://mises.org/rothbard/foranewlb.pdf>

³⁶ Available here: http://davidfriedman.com/The_Machinery_of_Freedom_.pdf

³⁷ <http://www.lewrockwell.com/rothbard/rothbard75.html>

³⁸ Reprinted with permission of the publisher, Foundation for Economic Education, Irvington-on-Hudson, NY 10533, www.fee.org. All rights reserved.

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