

# 21<sup>st</sup> CENTURY COMMON SENSE

BY FELTON WILLIAMSON

THE TRANSFORMATION FROM  
CAPITALISM TO CRONYISM IS ALMOST  
COMPLETE

CAPITALISM  
REWARDS  
PRODUCTIVITY



CRONYISM  
PUNISHES  
PRODUCTIVITY &  
REDISTRIBUTES  
WEALTH BASED  
UPON POLITICAL  
POWER



POLITICIAN



CRONY

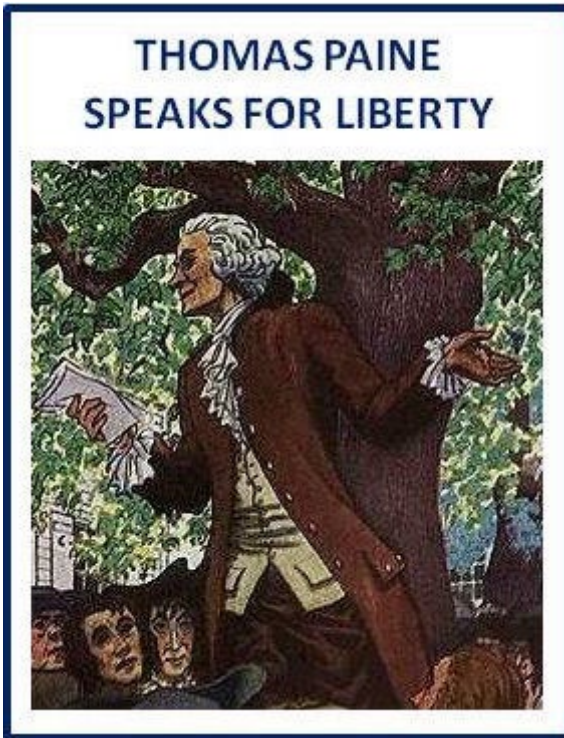
HOW DID WE GET HERE?  
HOW DO WE REGAIN OUR FREEDOM &  
PROSPERITY?

CRONYISM IS THE PATH TO TYRANNY

**“21<sup>st</sup> CENTURY COMMON SENSE”**  
**FELTON WILLIAMSON, Jr. AKA TOBY**

**“THESE ARE THE TIMES THAT TRY MEN'S SOULS”**

**THOMAS PAINE, 1776**



**“21<sup>st</sup> CENTURY COMMON SENSE”**

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**REVISED 12/18/2011**

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**ISBN # 1451587384  
EAN-13 9781451587388**

**PRINTED IN THE UNITED STATES OF AMERICA**

## **CAPITALISM – A BELATED OBITUARY**

Pure capitalism has never existed; it is similar to absolute zero in physics. Like absolute zero, Capitalism has been approached but never actually achieved. The United States Constitution, perhaps, produced the closest thing to Capitalism that the world has ever seen. Even though our Capitalism was flawed, it produced unprecedented prosperity and undreamed of technological achievements. Under a mostly capitalistic society, the steam engine, whose design dated back over 1000 years before the emergence of Capitalism, became a practical labor saving tool. The steam engine and subsequent innovation improved man's productivity and created a prosperity and well-being for the average citizen that is unique in all recorded history. Entrepreneurs exploited innovation and created the industries that increased our productivity and reduced the cost of almost all goods and services required to sustain and enhance our lives. Envy of the wealth accumulated by these entrepreneurs caused society to move away from its capitalistic roots.

In 1888, the Congress created the ICC (Interstate Commerce Commission). Two years later the Congress passed the Sherman Antitrust Act. Capitalism became quite ill; contracting a fatal disease after Congress enacted these two laws. Around the turn-of-the-century the Wannabe Tyrants enforced and strengthened these laws, and Capitalism lay down on its death bed, never to rise again. On its death bed, Capitalism was slowly replaced by Cronyism. Few even acknowledged its demise when Capitalism passed away in the mid-1930s. Capitalism had been completely replaced by Cronyism.

Even though Capitalism has passed away, Wannabe Tyrants ignored its demise and continued to blame the corpse for the economic failures of Cronyism. Cronyism, continued to degenerate into Tyranny. Cronyism is simply the transition between Capitalism and Tyranny. The evolution of cronyism to tyranny is almost complete. How did it happen? Can Capitalism be resurrected? Read this book.

## FOREWORD

This book may be the last act of an old man, trying to save his country from a totalitarian dictatorship.

Years of deterioration of America's basic education has resulted in a majority of our citizens' failure to understand individual freedom and the role that individual freedom plays in the creation of wealth and prosperity. This book provides the historic proof that creation of wealth and your prosperity was impossible until the "divine rights of the King" was discarded in favor of individual freedom. Individual freedom was the indispensable ingredient in the "Industrial Revolution" and the driving force of the American Revolution.

The "Wannabe Peers" mounted a counterattack to the American Revolution in the late 19<sup>th</sup> Century. The effect of that counterattack on individual freedom has been devastating. A great deal of research was necessary to be able to present the Effects of this "counter attack" on our individual freedom.

The extensive research is detailed in the Bibliography (9 pages). Most of the research was done on the internet and the website addresses are listed in the bibliography. However, anyone interested in visiting those websites may find it easier to go to the author's website, <http://commonsense21c.com/>, click on the "bibliography" link and visit any of the listed websites by clicking on the website address in the bibliography.

The websites are listed because of the facts contained there, not the analysis and conclusions of those facts. The conclusions (on the research website) do not always agree with the conclusions made in this book. Of course you are free to decide whose interpretation of the facts is correct. The purpose of the book is to try to rewrite Mr. Paine's "COMMON SENSE" as he would write it today, with the advantage of over 200 years of history unavailable to him in 1776. That is quite an ambition for a senile old man. Was I successful? Please email your comments, along with the proof of any disagreements or fallacies you find to [tobywil3@yahoo.com](mailto:tobywil3@yahoo.com). After all, I may be old but I am not too old to learn.

To establish a time frame, this book was started on September 8, 2008 and the manuscript was completed on September 7, 2009. This revision was published in December, 2011.

I have to thank to my soul mate of over 50 years, B. Francine Williamson, and our son Felton III (aka Lou) for their encouragement, comments and proof reading the manuscript. Without their help and encouragement there would be no book and you would have saved a few bucks.

**GOD BLESS AMERICA!**

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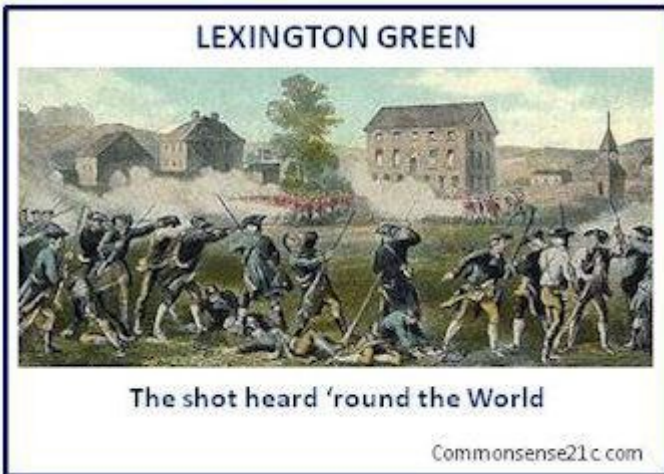
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## CHAPTER ONE

### “21<sup>ST</sup> CENTURY COMMON SENSE”

Over two hundred years have passed since we won our freedom from King George III. We are again standing on “Lexington Green<sup>25</sup>” with our freedom in peril, just as it was when the “Minutemen” faced the British Regulars on the fateful day of April 19, 1775; the day the “shot heard around the world” started the American Revolution.



The threat is no longer the “**DIVINE RIGHT OF KINGS**”<sup>30</sup> enforced by King George III and his “Peer’s”. Today the danger is accepting the “Wannabe Peers” promise of security and unearned wealth.

In 1776, the Colonies stood at the crossroads between Freedom and the Tyranny of King George III. On January 10, 1776, faced with this choice of freedom or tyranny, Thomas Paine<sup>47</sup> published the pamphlet “COMMON SENSE”<sup>47</sup>. The pamphlet was America’s first and most important

bestselling book. Thomas Paine's "COMMON SENSE" inspired the Colonists to choose freedom and prosperity.

For over 100 years the "Wannabe Peers" (politicians lusting after the power and prestige enjoyed by King George III's "Peers") have used false promises of security and unearned wealth to regain that power and prestige. The "Wannabe Peers" campaign has been very successful. Our "Founding Fathers" would be appalled at the loss of freedom and the power wielded by the bureaucrats and "Wannabe Peers" of today.



Instead of the British Regulars that advanced on "Lexington Green", we are faced with hordes of bureaucrats. Make no mistake about it; the bureaucrat's weapons are just as effective against you as the British Regular's muskets were against the original Minutemen.

The "Wannabe Peers" program has created a system that is almost as oppressive as the system that caused the original Minutemen to rebel. Unless the present trend is reversed, we will soon live under the tyranny of a totalitarian government.

The choice must be made now; it will soon be too late. Will you choose the freedom created by the "Founding Fathers" or will you be seduced by the "Wannabe Peers'" false promises of security and unearned wealth?

In Thomas Paine's time, the prevailing form of government was the "Kingdom". Though nomenclature varied with the location, there was little difference between the "Kingdoms". Some "Kingdoms", such as England, placed some restrictions on the absolute power of the "King". Any restrictions on the absolute power of the "King" increased individual freedom and the most prosperous of these "Kingdoms" were those with the most individual freedom. The "Kingdom" form of government was considered normal and was accepted by the "Commons"; few recognized that there was an alternative. Mr. Paine's "COMMON SENSE" provided that alternative.

"COMMON SENSE" was a clear, logical, easily understood and irrefutable defense of individual freedom. Eloquent and inspiring, Mr. Paine's condemnation of England's near "Totalitarian" Kingdom and the promotion of individual liberty inspired the Colonists to fight and win independence.

The arguments in "COMMON SENSE" are as valid today as they were when the pamphlet was written over 200 years ago and the "Kingdom" form of government has been thoroughly discredited. Today, few dare to openly advocate the "Kingdom" form of government.

Once free of tyranny, the Colonists established a government that guaranteed individual freedom (for citizens) including the right to create and enjoy wealth. Perhaps the only flaw the failure to eliminate slavery. The result was over 200 years of prosperity and technological achievement that is unequalled in the history of the world. In less than 200 years, the state of the art of transportation changed from horses and sailing ships to supersonic aircraft, nuclear submarines and automobiles travelling on super highways. Innovation, featuring the use of mechanical energy to replace "muscle power", provided huge increases in individual productivity. The reduction in labor and resources required to produce the necessities of life freed those resources to produce luxuries for the masses. Increases in individual productivity created prosperity

undreamed of when our Constitution was adopted. Luxuries, unheard of in King George III's day, became commonplace. The standard of living of each generation improved and that increasing prosperity continued into the Twenty-First Century.

When America won independence, the source of power changed from the "King" to the ballot box. With the change in the source of power, a new class of citizen emerged - the "Wannabe Peers". The "Wannabe Peers" lusted after the power and prestige that the British "Peer's" had enjoyed under King George III.

"Wannabe Peers" wanted to use the government's monopoly on force to control the "Commons" (creators of wealth) and punish those who resisted their benevolent coercion.

The "Wannabe Peers" realized that new strategic and tactical initiatives would be required to regain the power that the British "Peer's" enjoyed under the "King".

The "Wannabe Peers" devised tactics and strategy to use the ballot box to regain their lost power. Realizing that their natural constituency was the desperate and poverty stricken, the "Wannabe Peers" knew that general prosperity and economic stability were not in their best interest. Both Hitler and Mussolini required severe economic crises to achieve their coup.

The "Wannabe Peers" would claim the moral "high ground" and proclaim that the purpose of their agenda was to aid the unfortunate, provide security, improve the environment (added later), correct social injustices, and prevent exploitation of the consumer by the producer. However, the **real** purpose of their agenda was to regain the power and prestige possessed by King George III's "Peers".

Prosperity is the most formidable obstacle to the "Wannabe Peers" increasing their power. Even though the "Wannabe Peers" claim to aid the "unfortunate", almost every item in their agenda destroys wealth. The proof of this assumption is contained in the evaluation of five of the "Wannabe Peers" "showcase programs" (see chapters 7, 8, 9, 10, and

11). The destruction of wealth has the greatest effect on the standard of living of the “unfortunate” and forces more people below the poverty level. Pushing more of the population into poverty will increase “Wannabe Peers” constituency.

The “common enemy” is a necessity for those who would usurp your liberty and the “Wannabe Peers” selected the “Rich” (the creator of wealth and Mr. Paine’s “Commons”) as the common enemy. Hitler’s enemies were the Jews and Communists, Mussolini’s enemies were the Communists and Socialists. The “Wannabe Peers” “preponderance of propaganda” campaign would dwell on the positive results they promised for their agenda and ignore the negative results that would actually occur.

The “Wannabe Peers” were able to make very little progress until the late 19<sup>TH</sup> Century. The “Wannabe Peers” first big success was the Sherman Antitrust act<sup>24</sup>, a non objective law that could be applied against any successful “Commons”, (creators of wealth). The Sherman Antitrust Act was enacted in 1890. The second hundred years rewarded the “Wannabe Peers” with compounding successes. The “Wannabe Peers” enhanced their power and are very close to completely dismantling the great economic engine that the “Founding Fathers” created. America’s first “retro-generation” will soon be a reality. When the “standard of living” declines for a generation, that generation is a “retro generation”. We may already be members of the first American “retro-generation.

A detailed analysis of the successes of the “Wannabe Peers” agenda and the results of those successes are presented later. Briefly, the “Wannabe Peers” successes are:

- Earmarks that in 2008 removed \$16.5 billion dollars from the economy.
- Meddling in the relationship between the employer and employee has virtually bankrupted the American automobile industry, increased everyone’s cost of living (inflation) and resulted in government enforced racial discrimination. The meddling has allowed the “Wannabe Peers” to obtain political support for the favors provided to the “Pawns” (special interests).

- Rules and regulations restricting the harvesting of natural resources have made us dependent on those hostile to freedom for our energy, resulting in the squandering of our wealth and preventing creation of wealth in our country.
- An Income Tax Code too complicated to understand or comply with. It has the capacity to make anyone a criminal, requiring only a close enough investigation to find the non-compliance. This has huge potential to stifle political dissent.
- Taxing productivity (income tax) can only have the effect of limiting the creation of wealth.
- Non objective antitrust laws that are interpreted by political expediency and change with the judge and political pressure. These laws punish productivity, reward mediocrity and stifle innovation.
- Creating a bureaucracy that acts as police, prosecutor, judge, and jury. Enforcing its rules and regulations by reversing the basic tenet of our law that one is innocent until proven guilty. (Examples? The IRS and EPA come to mind. The bureaucracy has a huge potential to silence political dissent).
- Rules and regulations involving health care and drugs that have driven the cost of health care to the ridiculous extreme by catering to special interests.
- A justice system that allows for years of incarceration (innocent until proven guilty?) prior to trial and requires one to expend one's life savings for defense. The reward for innocence? Possibly an apology and loss of one's life savings.
- Destruction of the Constitution by appointing judges that legislate from the bench, giving the "Wannabe Peers" the power to create laws that could not be passed by the Legislature.
- Bureaucracies requiring "environmental impact statements" that delay projects for years and increase the cost of innovation, preventing the creation of wealth. The same bureaucracy has the power to create and enforce new rules and regulations that wreak havoc on the economy with no regard for the consequences of their actions.
- Behavior control laws that create victimless crimes and "controlled substance" laws that are no more effective than the "prohibition laws" of the early Twentieth Century. The laws provide a source of

income for the criminal element, dislocate the economy and fail to protect the public from erratic behavior caused by the use of dangerous drugs.

The affects of the success of the “Wannabe Peers” agenda is very close to creating the economic crisis that is required to achieve the coup. Today, we are all standing on the 21<sup>ST</sup> Century “Lexington Green”<sup>25</sup> and unless we take immediate action, King George III and his henchman “Peer’s” will have the last laugh.

The “Wannabe Peers” tell us we should surrender our freedom (and our prosperity) for the promise of security and unearned wealth. BENJAMIN FRANKLIN’S<sup>19</sup> eloquent quote **“THEY WHO WOULD GIVE UP AN ESSENTIAL LIBERTY FOR TEMPORARY SECURITY, DESERVE NEITHER LIBERTY OR SECURITY”** would seem to settle the question of swapping freedom for security.

The use of the government to provide advantage of one citizen over another is a fleeting proposition that shifts with the political fortunes resulting in the loss of freedom for all concerned and only enhances the power of the “Wannabe Peers”. Mr. Paine could never have conceived of a people, once free, surrendering their liberty for promises of security, unearned wealth or political advantage over their neighbor.

Mr. Paine divided the citizens of England into three Classes:

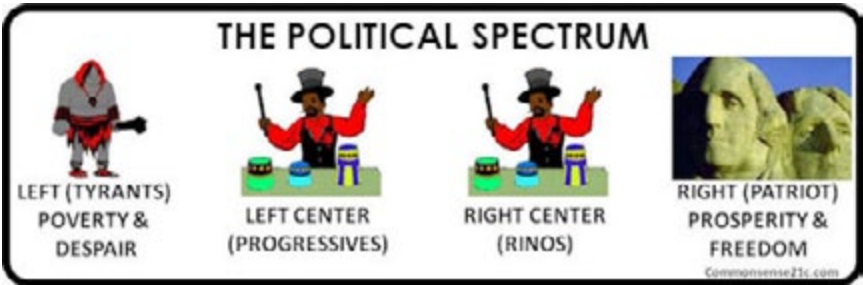
- The “King”
- The “Peer’s”
- The “Commons”

Of course, the “King” is not a factor in America now, but the “Kings” (goes by many names) still control much of the world. The “Peers”, or aristocrats, who held the position of authority at the “Kings” pleasure, are long gone. Their philosophical descendants have been replaced by politicians, “Wannabe Peers”, using the ballot box to try to obtain the power and prestige formally bestowed by King George III on his “Peer’s”.

To update Mr. Paine’s citizens list to the Twenty-First Century, it is necessary to add one Class, the “Pawns”. This terminology will be used throughout this book. The use of the common labels, Communist,

Socialist, Fascist, “Conservatives” and “Liberals” are just part of the confusion. All those common labels are used to describe politicians who covet your freedom. Ayn Rand, perhaps history’s greatest champion of Capitalism, was asked if she were a Conservative. “No” was her answer. She said she was a “radical for Capitalism”, that there was nothing left to conserve. The fallacy that Communism, Socialism and Fascism were at different ends of the political spectrum was used very successfully by both Hitler and Mussolini in their quest for power. (See CHAPTER 4) The political spectrum consists of INDIVIDUAL Freedom on the extreme right and the various forms of slavery (Communism, Socialism and Fascism) on the extreme left. The mixed economy spans the area between Freedom and SLAVERY. The only difference between Communism, Socialism and Fascism is the rhetoric, the arguments and personality of the Dictator.

The “King” had virtually unlimited power and delegated that power to the “Peers” for the oppression of the “Commons” (producers). The wealth extracted by the oppression of the “Commons” maintained the “Peer’s” and the “King” in what passed for luxury in the pre-industrial revolution world. Although in 1776 England, his power was theoretically limited, the “King” could manipulate the system to achieve his purpose.



In Mr. Paine’s day, the “Peer’s” status was determined by birth and maintained at the pleasure of the “King”. “Peers” controlled considerable wealth and power so they were easy to identify. There was little or no movement between classes. Not so today. **Any ambitious political psychopath can become a “Wannabe Peer”.**

The post-revolution “Wannabe Peers” are the leaders of the groups that seek to control and/or exploit the individual by using the government’s monopoly on force. The “Wannabe Peers” are divided into three groups: The “Power Seeking Wannabe Peers” are those seeking power for power’s sake. They want to upgrade themselves into the “Kings” Class. Hitler is an excellent example of this most dangerous type of “Wannabe Peer”. Some may even believe their own propaganda and see themselves as the “savior of the masses”.

“Economic Wannabe Peers” try to use the power of the Government to achieve financial advantage. The confiscation of private property and subsequently awarding the property to the “Economic Wannabe Peers” for “economic development” is an excellent example of the successful campaigns by the “Economic Wannabe Peers”. Another common objective of the “Economic Wannabe Peers” is to seek to use the power of the government to maintain the “status quo” when innovation threatens to cause them economic damage.

“Behavior Control Wannabe Peers” seeking to use the power of the Government to force their ideas (a limited agenda) on the individual. If they are successful, they will try to expand their agenda. The Eighteenth Amendment, “Prohibition”, is an example of their success.

Both the “Economic Wannabe Peers” and the “Behavior Control Wannabe Peers” might be considered “Pawns” because they are the “special interest” the “Power Seeking Wannabe Peers” exploit to obtain power.

Modern “Wannabe Peers” are much more subtle and devious than Mr. Paine’s “Peer’s”. Heredity no longer defines one as a “Peer”. Today, the “Wannabe Peers” are defined by their actions and the identity as a “Wannabe Peer” is carefully hidden even after obtaining power. For the “Wannabe Peers”, the end justifies the means and they will use any form of deception to obtain power. After all, no one will surrender their liberty if they know what they are doing. To use the ballot box as a source of power, the “Wannabe Peers” created the new class, the “Pawns”.

The “Pawns” are those deceived by the “Wannabe Peers” and believe that the “Wannabe Peers” will provide access to the “Commons” property, or give them a competitive advantage or the means to force their will on the “Commons”. The “Pawns” don’t realize that they too are surrendering their freedom.

In 1776 England, the “Commons” were the real creators of wealth. It was the “Commons” who actually produced the food, built the ships and produced the wealth required for society to exist. The “Commons” lived on the crumbs they were able to hide from the “Peer’s” and the rewards received from enlightened “Peer’s” who realized that incentives could actually increase production much more than the cost of the incentives. Incentives were okay as long as the “Commons” knew their “place”.

The “Commons” are still the creators of wealth. The freedom won in the revolution allowed the “Commons” to create wealth and a standard of living that was inconceivable under the authoritative English rule. For the first time in history, the “Commons”, not the “Peer’s”, controlled the majority of wealth.

Since Paine’s “COMMON SENSE” was written and the “LAND OF THE FREE AND THE HOME OF THE BRAVE” has won its freedom from England, a middle class has been established. The “Peer’s” right to initiate force against the “Commons”, confiscate their wealth or simply impose their will has been severely limited, but it has not been eliminated. Since Cornwallis surrendered to George Washington, the “Wannabe Peers” have been chipping away at the “Commons” individual rights. The true nature of their agenda is hidden in eloquent dialogue. The “Wannabe Peers” use promises of prosperity, redistribution of wealth, the “common good”, demonizing an enemy and eliminating the behavior that the “Behavior Control Wannabe Peers” find objectionable to gain power. Chapter 4 will show in detail how Hitler and Mussolini used these arguments to gain power. Generally, the “Wannabe Peers” arguments are long on sarcasm, emotion and lies but short on logic and facts. Because of the ineffective defense of our liberty, many of the “Wannabe

Peers” proposals have been generally accepted and are now public policy. Poor Thomas Paine must be spinning in his grave.

The objective of this book is simply to update Paine’s “COMMON SENSE” and apply its principles to the world as it exists today. A word of caution; it is possible to be a “Peer” and a “Common” at the same time. A “Common” who created considerable wealth exploiting a new technology frequently seeks government aid to suppress innovation when others develop a new technology that threatens the established industry. Attacks on individual freedom cannot be justified by one’s productivity. Yes, life is not “black and white” but shades of gray. But life is gray because the good and bad are mixed. It is the individual’s responsibility to separate the good from the bad and discard the bad. Life is hard.

In addition to his writing, Thomas Paine was a mechanical designer. One of his designs was a cast iron bridge conceived to replace wooden bridges that were susceptible to ice damage in the winter. His bridge concepts were never built but were seriously considered both in Europe and America. His writings clearly show the discipline and ability to redefine and simplify problems which are acquired by technical or scientific education.

The engineer uses techniques like “free body diagrams” and “systems analysis” to identify and simplify problems. These techniques also identify and isolate the irrelevant, allowing the engineer to understand and solve the problem or predict the performance of a new design. With a little imagination, many of the laws of physics have application to the evaluation of the “Wannabe Peers” proposals. An example is The **FIRST LAW OF THERMODYNAMICS**, the law of conservation of energy. It states that **“the energy added to a substance = the change in internal energy + the mechanical energy given out or taken in”**. Paraphrased, it says that “energy can be neither created nor destroyed” or **“you can’t get something for nothing”**. Rigorously applied, the first law of thermodynamics debunks most of the “Wannabe Peers” proposals.

The engineer, using “System Analysis”, simplifies a problem by drawing a circle around the process and using arrows to show input and output. What occurs inside the circle is ignored.

For instance, to determine efficiency in a heat engine you divide the device’s usable output by the heat input and multiply by 100 and you have the device’s percent efficiency. No worries about valve timing, compression ratio, rpm or carbon dioxide emissions. You have calculated the efficiency, simply and easily by ignoring the irrelevant information. This tool, when applied to political proposals, enhances and simplifies the evaluation of those proposals.

“Wannabe Peers” have no problem proposing violations of the laws of physics or the laws of human nature. They purposely complicate the proposals and predict unlikely, if not impossible results. The “Wannabe Peers” won’t apologize when their agenda fails to achieve the promised results. They will just accept the surrender of some of your freedom and spin another “fairy tale”.

“System analysis techniques will make the evaluation and debunking of the “Wannabe Peers” proposals easy and help you understand their real objective.

To illustrate, let’s see how these tools might have been used to avoid problems resulting from a historic disaster caused by the Government’s use of force to violate an individual’s rights. There are many such instances in history. One such program that occurred long ago and has been thoroughly discredited by time is “Prohibition” <sup>1</sup> (the Eighteenth Amendment to the Constitution).

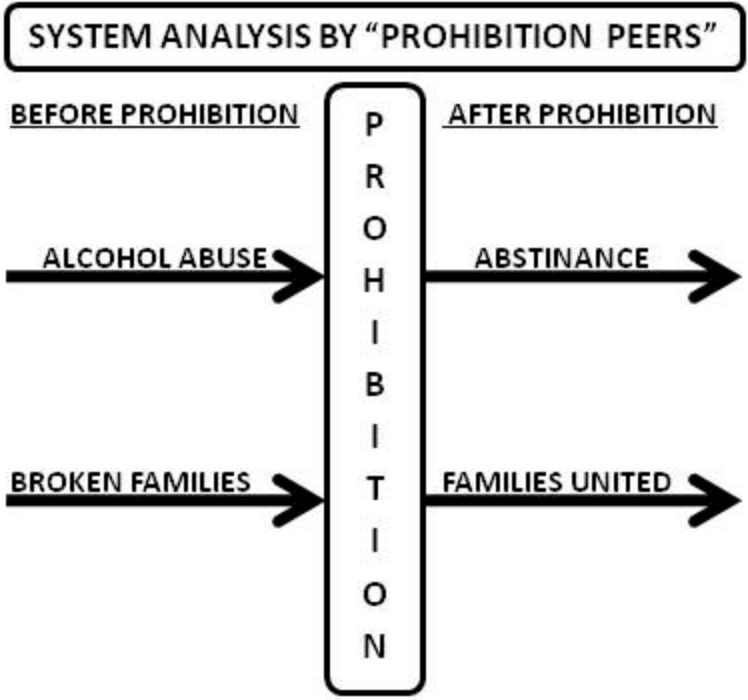
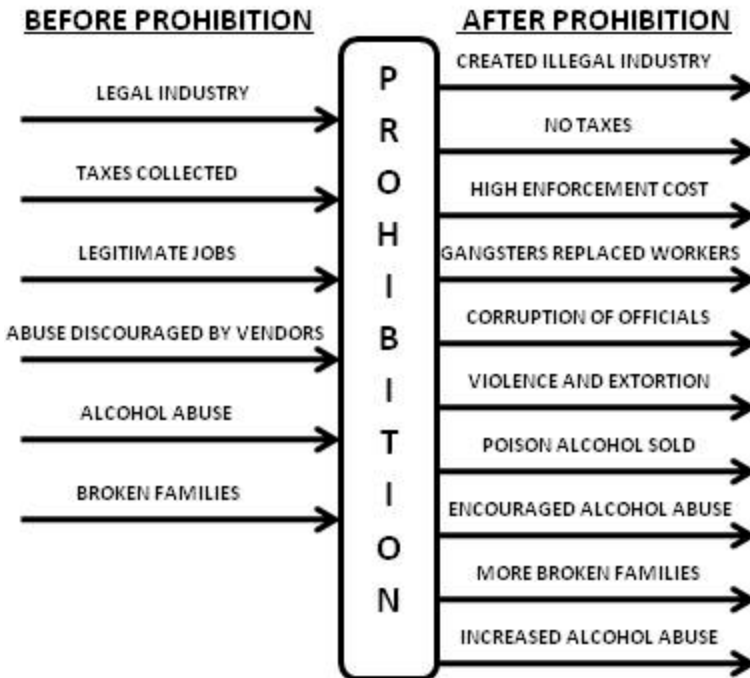


FIG. 1

Prohibition resulted in violence, death and disability caused by contaminated alcohol, gun fights in the streets and political corruption, which many say continues in Chicago after over 75 years since prohibition was repealed. The measure failed to stop the use of alcohol (some say the use of alcohol increased during the prohibition years). The failure highlights the difficulty of controlling human behavior by the use of force.

The "Wannabe Peers" used the media to saturate the country with the "preponderance of propaganda" filled with lies, sarcasm, and promises of utopia to sell the country on their scheme. The "Prohibition Wannabe Peers" system analysis would have looked like Fig.1 above.

# REAL SYSTEM ANALYSIS OF PROHIBITION



Real system analysis is contained in the chart Fig. 2, above.

With a little logic and reason, the above chart could have been created in 1918, just as easily as today, and the pain and suffering caused by that intrusion on individual freedom avoided.

Before the engineering analysis can begin, data must be collected and evaluated. The data or facts that will be used in the analysis are listed below. Many are common knowledge, but few of us understand the true implications. You may consider some controversial. Each item will be discussed, clarified in detail and proof offered at the appropriate time.

AYN RAND<sup>3</sup> believed that the primary purpose of the government was to protect the individual from the initiation of physical force and violence, both foreign and domestic. Freedom from the initiation of physical force and violence for all is in the long term best interest of everyone. This

statement has much wider application than simply protection from robbery. For instance, the pollution which affects the life and property of others is certainly the initiation of force.

Wealth, unlike energy, can be created, destroyed and consumed. Over time, wealth (except some commodities) will become obsolete or consumed. Therefore, continuous creation of wealth is necessary to continue life as we know it and benefits the whole of society. In the late 1940's, the government had an advertising campaign with the slogan, "THE MORE WE PRODUCE, THE BETTER WE LIVE". It's as true today as it was then.

The principles and facts upon which this book is based are listed below. Historical evidence will be used to validate these principles and show how their violation has affected your life.

- The initiation of the use of physical force is incompatible with the creation of wealth.
- Wealth is much easier to consume or destroy than it is to create.
- Wealth must be created before it can be consumed.
- Wealth is the property of the creator of that wealth.
- Creation of wealth is defined as creating or increasing the value of an asset.
- Persecution and harassment of the "Commons" (producer) is not in the best interest of the consumer.
- The ingredients in the recipe for the creation of wealth are freedom, intellectual activity, labor, energy, education, capital investment, a stable government, transportation, ambition and self preservation.
- All "consumable assets" have energy content. Any increase in the cost of energy or decrease in availability of energy increases the cost and restricts the production of consumable assets.
- History has shown that the closer a society is to "pure capitalism" the more prosperous that society is.
- The capitalistic society encourages innovation. Innovation is the source of "technology dividend". (The historic growth of the "technology dividend" is discussed in Chapter 2.) The book, "AN EMPIRE OF WEALTH" by John Steel Gordon<sup>20</sup> is also an account of how technical innovation created America's wealth. The "technology

dividend” is the increase in individual productivity that reduces the amount of effort or material required to produce wealth. An increase in the standard of living requires a corresponding increase in individual productivity.

- The “technology dividend” brings new products to market and enhances our life.
- Money is not wealth. Money is a medium of exchange. It is the creation of wealth that gives money value.
- Control of the supply of the “medium of exchange” (money) is one of the “Wannabe Peers” most prized tools.
- Prices in a free market are controlled by supply and demand. Upon interruption or fear of an interruption of supply, the price will rise.
- Fossil fuels will be the most economical source of energy (assuming no catastrophic interference by the “Wannabe Peers”) for at least 200 years. There may be some opportunities for economical harvesting of “alternative energy” due to the terrain, constant winds, or easily available heat below the earths crust. These situations can provide only a small fraction of the energy necessary to power our economy. However, these will be the exception, not the rule. When amortization of capital investment and intermittent availability of the energy source is considered, there is no economical substitute for fossil fuel. Nuclear power may be an exception. The “Wannabe Peers” want the government to solve a problem that won’t exist for over 200 years, yet they ignore imminent problems which offer them no opportunity to increase their power. Who will benefit from this misapplication of capital? The “Wannabe Peers” and their political cronies, of course, and most of us will surely lose.
- Carbon dioxide has not been proven to be the cause of climate change<sup>6</sup>. This fable has been proven only by the preponderance of the propaganda. Computer models which predict climate change based upon increased carbon dioxide do not pass back testing. Do not allow the “Wannabe Peers” to destroy your standard of living on a quest to fight windmills that even Don Quixote would recognize. There is no issue, today, that has more potential to destroy the economy, push more of the population below the poverty line and allow the “Wannabe Peers” to increase their control over the individual. Trying to control climate change by controlling carbon

dioxide emissions would be like removing the cigarette lighter from your car to increase gas mileage.

- The “technology dividend” continuously reduces the real cost of goods and services.
- Even though the “technology dividend” continuously reduces the **real cost** of goods and services, in a real system, the cost (in currency) of goods (includes gold and other natural resources) and services **increases** due to inflation of the medium of exchange.
- Capitalism requires the continual redeployment of resources as innovation causes obsolescence of facilities and changes the demand for products. Innovation without obsolescence is impossible. This obsolescence is painful. It causes valuable labor skills and production equipment to become worthless.
- Natural resources (oil, coal, iron ore etc.) are potential wealth, just as a weight suspended in air contains potential energy and requires a machine to convert it into useful work. Natural resources require that “Commons” expend effort and capital to convert it into wealth.
- Innovation requires energy. Most of the “technology dividend” involves the use of energy to increase the individual’s productivity. Restrict the use of energy and you reduce the individual’s productivity.
- Even the most prosperous societies have finite assets. Misallocation or restrictions on the use of assets reduces prosperity. Restricting individual freedom is a restriction on the use of an asset. Political deployments of wealth (Earmarks are an example) are usually misapplication of wealth.
- Misallocation of assets reduces prosperity and counteracts the “technology dividend”.
- Increasing productivity has the greatest effect on the standard of living of the lowest level of society as it reduces the real cost of the wealth (“consumable assets”) necessary for survival. Typically, the lowest level of society expends their total effort to barely survive so any reduction in the cost of survival increases the well-being of that group.
- The primary constituencies of the “Wannabe Peers” are the lower level of society, primarily those dependent on the government aid for survival.

- The composition of their constituency is not lost on the “Wannabe Peers”. When the deception is stripped from their agenda, it becomes obvious that almost every item of their agenda will result in either destruction of wealth or restriction on the creation of wealth.
- The “Wannabe Peers” claim the moral high ground. They claim that they are trying to help “those less fortunate”, work for the “common good”, provide protection from an enemy or protect us from our “vices”. Yet, the “Wannabe Peers” every proposal limits our liberty, inhibits production and destroys or confiscates wealth.
- A favorite tactic of the “Wannabe Peers” is to vilify a common “enemy” and use the defense against that enemy to obtain popular support. Many times the vilification is the justification for oppression and confiscation of the “enemy’s” property.
- Only the individual has rights. Special rights conferred on any group must first be taken away from the individual.
- When an individual’s rights are lost, the individual becomes more dependent on the government, thus giving the “Wannabe Peers” more control over the individual’s life and property. Loss of rights generally results in an increase in the “PAWN” population and a resulting increase in the “Wannabe Peers” constituency.
- There is no government program, no matter how poorly conceived and implemented, that does not have some positive effects.
- Monopolies can exist only when backed by force.
- “BY RIGHT OF CONQUEST” before WWII this pretty much summed up the morality of foreign relations in the world. What this means is that when a nation won a war, that nation had the right to appropriate the territory and wealth of the loser. “BY RIGHT OF CONQUEST” is a principle much prized by foreign “Kings” and their henchmen, the “Peer’s”. Of course, usually a nation would trump up some grievances before it attacked its neighbor. But the real cause of most wars was, and still is, the lust for the neighbor’s wealth.
- As wealthy and strong as America is, it cannot feed, clothe, shelter and provide health care for the world. Subsidizing the victims of foreign “Kings” and “Peer’s” cannot provide lasting relief. As long as major portions of the world punish productivity and believe it is easier to confiscate wealth than to create it, poverty will be rampant. “Kings” and “Peer’s” can destroy and consume wealth much faster

than America can create it. It is futile to try to raise the standard of living where ownership of wealth is determined by force.

- America cannot depose the “Kings” and “Peer’s” who have popular support even though they are causing widespread poverty and injustice.
- Any totalitarian government (a government totally controlled by the “Peer’s” or “Kings) requires an enemy to remain in power.
- Laws are made to prevent actions, not encourage innovation. Can you imagine Congress passing a law requiring Thomas Edison to develop the light bulb or Charles Martin Hall to develop an economical method of refining aluminum?
- The “safety net” in one form or another has existed in our society since before the year 990<sup>42</sup>. The question is not whether or not to have the “safety net”. It seems that over 1000 years of history have settled the issue. The question is how to structure the “safety net” to provide maximum opportunity and incentive to those caught in unfortunate circumstances.

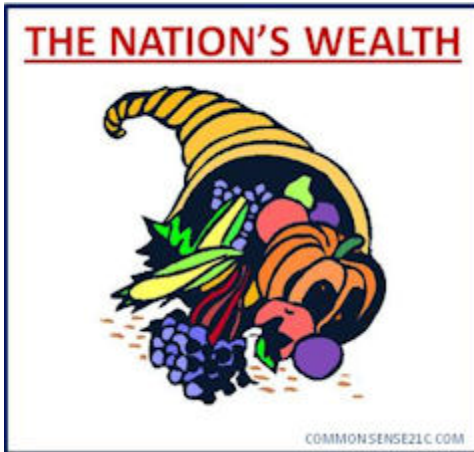
The way to evaluate political proposals is to simplify the proposal by eliminating the extraneous dialogue and charting the inputs and outputs. When the proposals are viewed in this simple form, the results are apparent.

In Thomas Paine’s day, the enemy (the “Peer’s” and the “King”) were identified and the solution was apparent. The solution was victory on the battlefield. Today, the identification of the “Wannabe Peers” is difficult. The “Wannabe Peers” carefully conceal their identity. The objective and projected results of their agenda are models of deception. Are all of these agendas that seek to limit our freedom devised with malice and forethought? Probably not; some may actually believe that some surrender of your freedom is in the public interest. They may have the purest motive or a desire to become the next “Hitler”. Their motive is irrelevant. Their objective will not affect the results. Don’t waste time trying to determine a politician’s objectives. Evaluate the agenda. **There is no such thing as benevolent slavery.**

An understanding of the nature of government, wealth and economic systems is necessary to identify the “Wannabe Peers” and understand their proposals. So, before the deception is stripped from their agendas a review of these subjects is provided.

## **CHAPTER TWO**

### **WEALTH**



Because an understanding of the nature of wealth and how wealth is created is necessary to evaluate and understand the “Wannabe Peers” agenda, this chapter defines wealth and how changes in the nation’s wealth affect society. Some important facts about wealth:

- The quantity of wealth that exists in nature is so small that the statement that wealth does not exist in nature is true. If you find wild blackberries, you have to pick them to convert the wild blackberries to “consumable assets”
- Wealth must be created from the raw materials and the opportunity that exists in nature
- Wealth cannot be consumed before it is created. It is surprising how most of the “Wannabe Peers” agenda ignores this basic fact
- Raw material and energy require labor and intellectual activity to be converted to wealth
- An increase in the nation’s wealth benefits the whole of society

There are two primary methods for the individual to accumulate wealth. The first method is to create the wealth; the second is to confiscate it from the creator of the wealth. Confiscation requires force or the threat of force causing conflict. The conflict generally destroys a portion of society’s wealth and damages or destroys the source of the wealth. Many times, the conflict caused by confiscation eliminates or reduces any advantage gained by the perpetrator. Confiscation falls into two categories. The first is to rob, steal or use fraud to extract the wealth

from the creator (or the benefactor of the creator). These methods are prohibited by laws and can lead to sanctions against the perpetrator. The second method is the use of government power to provide an advantage to the perpetrator's interest or even confiscate and transfer the wealth. In the first case, the perpetrator is a criminal. In the second case the perpetrator is a "WANNABE PEER". Is there any real difference? Of course, persecution of the creator (producer) and confiscation of the wealth inhibits the creation of wealth (innovation). Much of the "Wannabe Peers" plan to increase their power is based upon obtaining control of wealth and the ability to destroy and inhibit the creation of wealth. The destruction or inhibition of the creation of wealth increases poverty, thus increasing the "Wannabe Peers" constituency.

A nation's wealth is the sum of the value of the assets, goods and available services. Wealth must be created before it can be consumed and the most important ingredients in the creation of wealth are freedom, political stability, intelligence, and knowledge. The creation of wealth also requires raw material and energy. Of course, one of the functions of intelligence is to provide the raw material and energy. Unlike energy, wealth can be both created and destroyed. Wealth is consumed and most forms of wealth will eventually become obsolete and worthless due to successful innovation. This is why accounting systems have provision for amortization and depletion. Because of consumption, destruction and obsolescence, a nation's wealth is constantly being depleted; therefore, the constant replenishment of wealth is a necessity. Wealth takes many forms and may be classified as "Potential Assets", "Active Assets" and "Consumable Assets". Potential assets (Natural Resources or new technology) require the expenditure of capital to convert them into "active assets" (Reserves) before they can be used to produce "Consumable Assets". Production of "Consumable Assets" is necessary to sustain and enhance life.

### **POTENTIAL ASSETS:**

- **Natural Resources:** natural resources are Deposits (minerals, oil, and coal) which are believed to exist. Natural resources require capital investment to prove their existence and prepare them for extraction. In the case of oil, a hole must be drilled and pumping equipment

installed. As the capital investment is made, the asset becomes more valuable. Once the capital investment is successfully completed, the resources become reserves increasing the nation's wealth and providing the raw material and energy used to produce "consumable assets". If the capital investment fails to produce reserves, the capital investment is lost, reducing the nation's wealth. An excellent example would be drilling for oil and getting a "dry hole".

- **Ideas, unproven and undeveloped:** Ideas are man's greatest source of wealth. Yet, an idea unproven, undeveloped and without a market is virtually worthless. The light bulb, the telephone and the computer were once just ideas. When these ideas were developed by an entrepreneur, great wealth was produced. Natural resources, capital investment, labor and human intelligence are required to convert new ideas into wealth. Most successful inventions were once the subject of jokes and ridicule but the inventions that have succeeded in the market place were sources of great wealth. For every idea that produces great wealth, thousands flounder and the cost of those failures reduces the nation's wealth. To be successful, an idea must be sponsored by an inventor and entrepreneur (often the same person) willing to devote his fortune and total being to the success of the project. What is an idea worth? Often, the value of an idea depends on the salesmanship of its sponsor. Many ideas flounder around for years until they find an entrepreneur to champion them. How does society select an idea for development? That depends on who controls the economy. If a "King" or "Peer's" make the decision, it is based upon political expediency and often maintaining the "STATUS QUO". A "Commons" decision is based upon profit potential. Which do you think is more likely to lead to innovation and the creation of wealth?
- **Land, unused:** There are millions of acres of land in the United States that are undeveloped. Even though it is undeveloped, it has some market value and contributes to the nation's wealth. Much of this land is rich in natural resources. Tremendous wealth can be created by the development of these resources. Regulations that prevent the

exploitation of these resources destroy their value and reduce the nation's wealth.

- **Human resources:** we are all “standing on the shoulders” of our forebears. Until we absorb the knowledge developed over the ages, we cannot hope to extend that knowledge. The most effective investment a government can make is the education of its citizens. At the end of World War II, the “GI BILL” was implemented to reward returning veterans for their service to the country<sup>7</sup>. The “GI BILL”<sup>8</sup> gave thousands of veterans an opportunity for a college education. Their education enhanced their productivity and led to unprecedented prosperity in post war America. The education significantly increased the ability of the veterans to produce wealth and the whole nation benefited. The wealth created by the “GI BILL” greatly exceeded the cost and the benefits of that program continue today.
- **ACTIVE ASSETS:** “Active Assets” are production facilities that have been built or developed and are producing consumable wealth. Examples of active assets are:
- **“Reserves”:** Reserves are contained in oil wells and mines. The contents of these reserves will be depleted and will have to be replaced. Failure to replace these reserves will result in the reduction of the nation's wealth. However, the reserves may be replaced by other forms of wealth. Technological advances can increase or reduce the demand (and thus the value) of reserves. Natural resources with the lowest capital requirements and extraction costs are depleted first. Over time, the difficulty of converting “resources” to “reserves” increases and the extraction difficulty of the reserves increase. However, the conversion and extraction costs do not necessarily increase. Fortunately, innovation tends to balance the increasing difficulty of harvesting the resources. Since the beginning of the “Industrial Revolution”, technology has always increased efficiency and provided new sources of wealth to compensate for the depletion of the more easily available resources. Our nation's wealth continues to increase despite the depletion of the more easily harvested natural

resources. Technology, aided by a mostly capitalistic economic system, guarantees us of an expanding economy and improved standard of living but only if we protect our system from the “Wannabe Peers”.

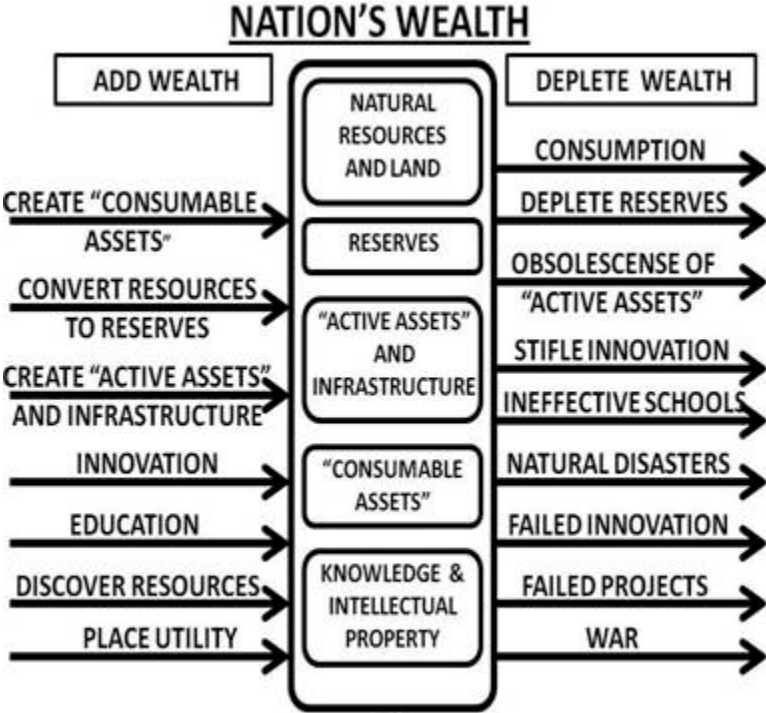
- **Manufacturing facilities:** Manufacturing facilities are the tool used to create the “Consumable Assets” and are defined as “active assets”. The value of manufacturing facilities is not depleted like the contents of mines and oil wells, but manufacturing facilities do wear out and become obsolete. Eventually, the equipment will become obsolete or wear out. The need for the product’s function may be eliminated through innovation, or its products may simply go out of fashion. The manufacturing plant, once a very valuable asset, eventually will become a liability, a casualty of technological progress. To maintain and enhance the nation’s wealth, the creation of new manufacturing facilities, making new products is necessary.
- **Infrastructure:** The structures and facilities required to operate our civilization. The value of the capital investment in infrastructure almost defies imagination. Infrastructure produces both goods and services required for civilization to function. Much of the infrastructure is owned and maintained by the government. The infrastructure provides facilities for transportation of goods, distribution of power, water and disposition of sewerage. When infrastructure is created, it becomes part of the country’s wealth. Often a relatively small investment in the infrastructure can cause tremendous increase in the value of other assets. An example is the ERIE CANAL<sup>2</sup>. The ERIE CANAL opened up an entire section of the country for commerce. The increase in the value of the land served by the canal exceeded the cost of the canal by a factor of hundreds. The reduction of transportation cost added value to the products, making it economical to produce agricultural products in the area served by the canal. The ERIE CANAL was a large part of the capital investment required to convert the “Potential Asset” (unused land) into an “Active Asset”. The cost of the ERIE CANAL was insignificant compared to the increase in the nation’s wealth. Unfortunately, not all investments in infrastructure are as successful as the ERIE CANAL.

For each “home run” like the ERIE CANAL there are many that simply consume the wealth. An example is a “Wannabe Peers” project to invest in useless infrastructure such as the famed “bridge to nowhere” once planned for Alaska. Since the government owns and operates most of the infrastructure, many of the decisions on what and where to create infrastructure are made by “Wannabe Peers”. Of course, the “Wannabe Peers” will make the decision based upon political expediency, not on profit potential that increases in the “Nation’s Wealth”. The creation and maintenance of infrastructure is vital to the economy, but it probably has more potential for the misallocation of capital than any other form of investment in our society. Since wealth is finite, wealth wasted on government boondoggles prevents the creation of worthwhile projects. Misallocation of wealth is destruction of wealth that enhances the long term objective of the “Wannabe Peers”.

- **Transportation companies, Wholesale & Retail Facilities, Builders, Service providers, Professional and other businesses which have value:** Often “consumable assets” cannot be consumed at the location where they are produced. Transporting the “consumable assets” to the location where there is demand adds value to the “consumable asset”. The ERIE CANAL provided a low cost method of transporting the products produced in the area it served. Before the ERIE CANAL was built, the cost of moving products to market from the area the canal served was prohibitive. The availability of low cost transportation greatly enhanced the value of the products and created tremendous wealth.
- **Consumable Assets:** The third class of wealth is “consumable assets”. As the name implies, “consumable assets” are items whose production has been completed and are ready for consumption. “Consumable assets” include the manufacturers’, the wholesalers’ and the retailers’ inventory, as well as privately owned inventory.

The “systems analysis” of the national wealth is shown in Figure (3). The Nation’s Wealth is the total market value of Potential Assets,

Active Assets and Consumable Assets. The market value of an asset is the price that the asset would sell for on the open market, not its cost or its “book” value. The “nation’s wealth” is the basis for the value of our money. The chart, Figure (3), summarizes the activities that create and deplete wealth. An understanding of this chart is necessary to understand the real effect of the “Wannabe Peers” agenda. The value of the dollar rises and falls with the total value of the “nation’s wealth” and the amount of credit and money in circulation. Changes in the value of the dollar may occur rapidly or may take years to fully reflect the changes in national wealth and the amount of credit and money in circulation.



Wealth and money have a confusing relationship. One of the most valuable rights afforded the individual is the right to exchange one’s “best effort” for the “best effort” of others. Barter is one method of accomplishing the exchange, but barter requires two individuals who desire the other’s product and that the products are of equal value. If

one could simply exchange one's "best effort" for an item of recognized value that could be split into many parts and be used to exchange for many "best efforts" of others, it would simplify the transactions and facilitate commerce. Money, our medium of exchange, was invented to perform this function and to store value.

Originally, money was made of precious metal and the value of the money was the intrinsic value of the metal. Paper money has no intrinsic value. What gives paper money value is the producer's willingness to accept it in payment for the producer's "best effort". It is the producer's "best effort" that gives the money value.

To facilitate the understanding of a system, often the engineer will evaluate that system at the extreme conditions. Applying that technique to the money system, consider a condition where no money or assets exist. The government decides that it wants to distribute bread to the masses and prints dollars to buy the bread. But if there is no bread, the money is worthless. If bread is produced and the producer is willing to exchange the bread for the money, the value of the money is created. At this extreme condition, the value of the dollar is the value of the bread available for purchase with the dollars. If there are no assets available or no one is willing to exchange the assets for money, the money is worthless. This condition existed in the hyper-inflation of 1920's Germany<sup>16</sup>.

It is the value of the assets available for purchase that defined the value of money and credit in circulation. Therefore, value of the money is the value of available assets divided by the money and credit in circulation. Please see Figure (4).

Economic changes sometimes occur very slowly. It is possible to inflate the currency without seeing the results immediately. Technological

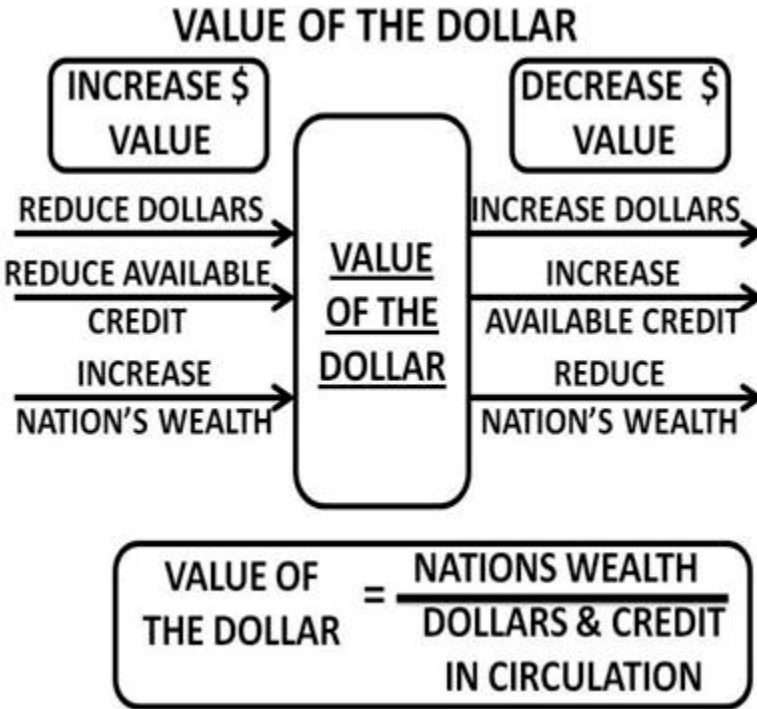


FIG. 4

advances reduce the material and labor content of products, constantly reducing the real cost of producing assets and increasing the amount of assets that can be produced with the available labor and material. This “technology dividend” can mask the real inflation rate.

Precious metals were used for money because its supply was limited and it could not be counterfeited. Its value was thought to be secure and inflation proof. An additional advantage was that one could carry a significant amount of wealth on one’s person. However, the “Kings” and “Peer’s” greatly prize the control of the money supply, so ways to compromise the “inflation proof hard currency” were quickly devised. When the Roman Empire started minting coins, the “pieces of silver” were almost pure silver<sup>22</sup>. The pieces of silver contained considerably less than 2 percent silver when the Roman Empire fell. With the acceptance of paper money, control and manipulation of the money

supply became even easier. Credit is a form of money and credit is created by the banking system. The creation of credit increases the apparent amount of “money” circulation. Banks are normally allowed to lend up to ten times the value of the sum of their capital and deposits. What this means is that when you deposit one dollar in a savings account, the bank can increase its loan portfolio by nine dollars. Do not despair; history shows that economic expansion (increasing prosperity) generally occurs in periods of slowly expanding money supply.

Manipulation of the money supply can be used to manage and mismanage the economy. Generally, periods of prosperity occur when the money supply is expanding. Conversely, a recession is usually accompanied by a contraction in the money supply. If the money supply is increased too rapidly, the result is hyperinflation<sup>38</sup>. The producer’s confidence in the money is lost and commerce is disrupted. The value of the individual’s money is destroyed or considerably reduced, resulting in redistribution of real wealth. Manipulation of the money supply gives the “Kings” and “Wannabe Peers” a powerful tool to advance their agenda, allowing them to obtain control of real assets just by printing money. Inflating the currency is not new. Remember the Roman Emperors, over time, significantly reduced the silver content of their coins<sup>22</sup>. Having to melt, dilute and strike new coins involved much more cost than just printing money. The power to control the money supply is the power to control the economy and influence the support of the “Pawns”. See Figure (4) for the Systems Analysis of the “VALUE OF THE DOLLAR”. The value of the dollar change is not an instantaneous occurrence when the number of dollars in circulation changes. Time is required for the economy to detect and react to the change. The beneficial effects of the “technology dividend” mitigate the effects of increasing the money supply.

### **TECHNOLOGY DIVIDEND:**

In a free society, the individual strives to reduce the cost and increase the value of the “best effort” that is exchanged for the goods and services produced by others. Increasing the value of this “best effort” includes both new products, reducing the cost and enhancing the performance of existing products (increasing the value). This innovation continually

reduces the cost and increases the quantity of “consumable assets” created per man-hour of labor. It may also provide “consumable assets” with functions previously unavailable at any price (examples are the telephone and light bulb). The net effect of this innovation is to enhance the quality of life and/or reduce the effort the individual must expend to survive.

If the quantity of dollars and credit were to remain constant, the cost of goods and services would decline as innovation reduced the cost and enhanced the performance of consumable assets. In practice, the quantity of dollars and credit in circulation increase at a faster rate than innovation can improve productivity.

What is the rate at which the “technology dividend” accrues? One method of defining the “technology dividend” is to use the inflation adjusted per capita REAL GDP (Gross Domestic Product). Because of the availability of new products with new functions the GDP probably greatly understates the real value of the “technology dividend”. The “per capita REAL GDP” (Gross Domestic Product) adjusted for inflation) has grown at a rate slightly over 2% per year during the last fifty years. Because the growth rate compounds, the actual growth rate was 184% for the last fifty years<sup>5</sup>. Since 1797, the inflation adjusted per capita REAL GDP grew 3,217%. The real increase in productivity is probably much greater than the GDP. It is difficult to put a value to the goods and services available today that were not available at any price in the past and the calculations for GDP in the early years is suspect.

## PRODUCTION OF “CONSUMABLE ASSETS”

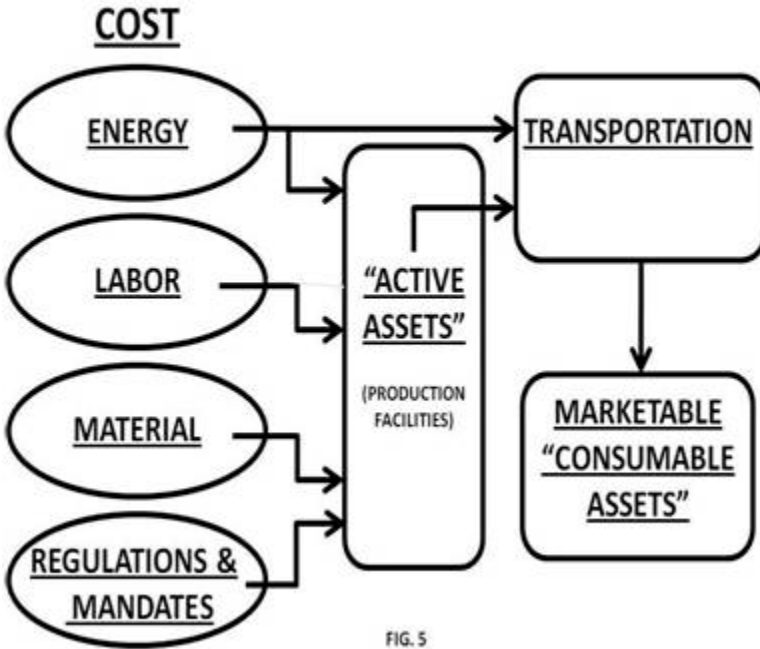


FIG. 5

Even though the use of the GDP to evaluate the “technology dividend” is flawed, it is the best available yard stick. The GDP growth understates the cumulative value of the “technology dividend” but it shows how significant the value of the “technology dividend” is to our society.

Considering the wars, government waste and the effort to maintain the “status quo” during the last fifty years, an average 2%/year is a huge increase in productivity. Without the “technology dividend” the inflation rate over the last fifty years would have been more than double the actual rate.

### VALUE OF THE DOLLAR:

While the total assets of the nation determine the value of the dollar in the long run, the total “consumable assets” have a more immediate effect. Figure (5) is a flow chart showing the production of “consumable

assets". To understand the "Wannabe Peers" agenda, one must understand Figure 5 and its implications. A favorite tactic of the "Wannabe Peers" is to vilify the producer and propose sanctions to punish the producer. These sanctions always increase the cost of production or reduce the availability of the "consumable assets". These sanctions either increase the "Wannabe Peers'" power or benefit a "PAWN" either as a reward for past support or an inducement to provide support.

The ingredients required to produce "consumable assets" are labor, energy, materials, "active assets", production facilities and transportation. The nation's economy contains limited quantities of these ingredients which limits the capacity to produce "consumable assets". If there is a change in the amount of ingredients required to produce a "consumable asset", the value and availability of that "consumable asset" will change. When innovation (the "Technology Dividend") reduces the amount of ingredients required to produce the "consumable asset", more of the "consumable asset" is available or ingredients are released for other uses. The net effect is that more "consumable assets" become available at a **lower real cost**. All other things being equal, the value of the currency increases as more "consumable assets" become available and the nation becomes more prosperous.

If the quantity or cost of ingredients that is required to produce "consumable assets" increases, the cost of "consumable assets" increases and less "consumable assets" are available. If government regulations are implemented that require an increase in the ingredients in a "consumable asset", less of that product will be available or ingredients will be diverted from other uses. In any event, the cost of the "consumable asset" will increase. The net effect is to reduce the nation's wealth and prosperity suffers. Of course, increasing the cost of "consumable assets" has the greatest effect on the poverty stricken, the very group that the "Wannabe Peers" profess to champion.

All "consumable assets" have energy content. Our industrial society requires tremendous amounts of energy to function. A large increase in

the cost of energy will have a catastrophic effect on the economy. Proposals to combat the fairy tale that carbon emissions cause global warming will limit the availability and increase the cost of energy. Energy is one of the prime ingredients of “consumable assets” and in the transportation of those assets to market. Energy availability and cost have a tremendous effect on the nation’s wealth. **Your wealth!**

Now that the relationship between wealth and money has been defined, how is wealth created?

Creation of wealth is defined as creating or increasing the value of an asset. Freedom, intellectual activity, labor, energy, education, capital investment, a stable government, transportation, ambition and self preservation are the ingredients in the recipe for the creation of wealth. The cave man had only muscles, intelligence, but minimal knowledge and a desire to survive. His productivity (food from uncultivated plants and hunting small animals) required all of his effort just to survive. But mankind’s survival depended on the mind, not physical strength. Intelligence was used to fashion sharp pointed sticks and clubs (innovation and capital investment) to enhance the productivity and provide protection from predators.

Progress was very slow as mankind did not treat the innovator well. Legend has it that when Prometheus<sup>8</sup>, a character from Greek mythology who stole fire from the gods for man’s use, was burned at the stake for his achievement. But mankind retained the fire. Productivity and innovation benefit the whole of society, but it threatens the “Kings” or “Peer’s” power. Early mankind used the “TRIBAL CHIEF – WITCH DOCTOR” economic system so the “Kings” or “Peer’s” enjoyed unlimited use of force against the producer or innovator. The “Kings” used this force to protect their position of authority and confiscate most of the wealth the “Commons” were able to produce. Outstanding productivity, innovation and attempts to protect the fruits of one’s labor were downright dangerous. There was little incentive for the “Commons” to increase their productivity as any wealth they produced became the property of the “King” or his partners in crime, the “Peer’s”. Any

innovation that attracted attention might be considered proof of witchcraft and result in severe punishment or even death.

Any meaningful creation of wealth would have to wait until the producer – innovator was protected from the “King” and “Peer’s”. The most important ingredient in the recipe for wealth is “freedom”. For thousands of years, innovation was limited to small improvements in the agricultural industry. Wealth is created by the “Commons” but the “Kings” and “Peer’s” controlled the “throttle” and the “brakes” and during the “Middle Ages” the “Kings”, aided by the “Peer’s”, had the “emergency” brake set. The absolute power of the “King” began to erode in the year 1215 (the Magna Carta<sup>21</sup>) but progress was slow. It was not until the late 18<sup>TH</sup> Century that the “Commons” realized that they were free to innovate and retain some of the wealth. The power of the “King” and “Peer’s” had been limited but had not been eliminated. That was the start of the “INDUSTRIAL REVOLUTION<sup>9</sup>”. The early “INDUSTRIAL REVOLUTION” was the development of tools and processes for metal production, etc. The tools improved the efficiency of “muscle” power and the productivity of the worker, thus improving the average citizen’s well being. Even with development of tools, productivity was limited by the availability of mechanical energy. Horses on a treadmill, wind and water power (where available) were the only sources to enhance the workers effort. These sources of mechanical energy were extremely limited and expensive. The only item still missing from the recipe for creation of wealth was the availability of a practical source of mechanical energy. When the “Commons” had freedom, knowledge and capital, it did not take them long to add the final ingredient (ENERGY) to the recipe. Enter the “STEAM ENGINE<sup>10</sup>”. There are descriptions of steam engines dating back to the First Century but practical use for industrial applications was not available until the early 19<sup>TH</sup> Century. The labor (man-hours) required to produce the basic necessities was significantly reduced.

Freedom, mechanical energy, tools, and education greatly improved the productivity of the “Commons”, facilitating the creation of wealth. The productivity of the worker was greatly increased. Of course, the increase in productivity facilitated increases in consumption. But these

advantages only occurred in countries where the power of the “Kings” and “Peer’s” was severely limited or eliminated. In areas where freedom was severely limited, poverty saw no relief.

The improvement in the production of machined parts is an excellent example of how the use of energy and technology enhanced individual productivity. The early lathe operator<sup>23</sup> applied the rotation to the spindle using a foot pedal while applying the cutting tools to the work and measuring the results. Later an apprentice on a bicycle-like device provided the rotational energy to the spindle of the lathe. The mechanical energy required to cut the metal was limited to a portion of the operator’s effort or one boy power after the improvement. Cutting speed and depth of cut was severely limited because of the amount of mechanical energy that was available required considerable time to produce even the simplest product. The primary cost of the part produced was the material and labor of the two men. There was little capital investment and the energy cost little because the apprentice had to eat, anyway. Once the steam engine was available for industrial applications, a steam engine was used to power a shaft running the length of the factory. The shaft was equipped with pulleys to drive the machinery. Not only did the shaft reduce the number of people required to operate the lathe but increased the cutting speed and depth of cut that could be applied to the work. The net result was a tenfold increase in the productivity of the machinist. The addition of electric motors to the lathe increased the number of speeds and feeds available to the lathe operator further increased the operator’s productivity. Then came cutting tools improvements, form tools, the automatic screw machine and the computer operated machine. The cost of metal parts was reduced and the quality was increased. This made machined parts available for uses that had been cost prohibitive before the mechanical energy became available to the machinist. Each improvement increased the productivity of the machinist. Mass produced applications requiring close tolerances became practical. The wealth of the machinist was enhanced as was the wellbeing of all who used his products. The innovation in the machine tool industry continues today. The labor content of metal parts has been reduced from “man days” to “man seconds” and less. Just think what an automobile would cost if the parts

had to be machined on a lathe powered by an apprentice and each part required the attention of the operator.

All the products (agricultural, water, television, computers etc.) you use have significant energy content.

The control of available energy greatly affects the cost of everything you buy and restricting energy availability greatly inhibits the creation of wealth. Control of energy is the control of our economy and the power to destroy it, along with your job. Is it any wonder that the “Wannabe Peers” embrace a fraudulent issue like “GLOBAL WARMING” that gives them control of energy and power to control your life? Control of energy gives the “Wannabe Peers” a great opportunity to increase the ranks of the poverty stricken “Pawns”.

Transportation is as necessary as energy to the creation of wealth and energy cost is a large part of transportation cost. Economists have a term called “Place Utility”. This means that the location of an asset affects its value. Let’s look at an example to illustrate “Place Utility”. You can’t swim and are walking on dock. You slip and fall in the water and there is a life preserver on the dock. The life preserver could save your life, but you can’t get to it. A passerby throws you the life preserver and saves your life. The life preserver had the ability to save your life but it was useless until the passerby supplied the “Place Utility”. A less dramatic example of how transportation adds to the wealth of the country would be the “ERIE CANAL”. The “ERIE CANAL” opened a huge area by providing an economical way to move the wealth produced in that area to market.

Wealth can be destroyed and many forms of wealth will become obsolete. As you know, it is much easier to destroy wealth than to create it. Wealth is destroyed by natural disasters, war, and failed investments. Little can be done about natural disasters except to consider the risk when designing buildings and storing wealth. Unfortunately, nature is capable of generating conditions that exceed our specifications. When natural disasters occur, the government uses its assets to mitigate the consequences.

War is a sure destroyer of wealth and much more prolific than natural disasters. “BY RIGHT OF CONQUEST” remained the governing rule between nations, even after the “Commons” obtained ingredients of the recipe to produce wealth and demonstrated the advantages of creating wealth over the confiscation of wealth by use of force.

To maintain and extend their power, the “Kings” and “Peer’s” require an enemy and generally an external enemy is the most efficient choice. The principle of “BY RIGHT OF CONQUEST” and the need for an enemy to motivate the “Pawns” are powerful incentives for the “King” and “Peer’s” belligerent behavior. The “Kings” and “Peer’s” always covet the wealth of their neighbors. For thousands of years, the principle of “BY RIGHT OF CONQUEST” was used by the “Kings” and “Peer’s” to obtain the wealth of their neighbors. It was easy to fabricate some grievance to incite the “Pawns” to support the attack on their neighbor. The “Pawns” could also be promised a share of the booty. The war generally destroyed the victim’s ability to produce wealth. The war destroyed much wealth and the wealth seized was soon consumed. This left everyone worse off than when the adventure began but it did not stop the “King” looking for a new victim. The instability caused by war was a major factor preventing the creation of wealth even after the Industrial Revolution began. Countries like England and Switzerland, isolated by natural barriers, fared much better than those with borders difficult to defend.

World War II is an excellent example of the invoking “BY RIGHT OF CONQUEST” principle by Russia, Japan, Italy and Germany. The need for an external enemy also was prevalent in Russia, Italy and Germany. Real and imaginary grievances were used to justify attacking their neighbor but the real reason was the lust for power and the wealth of the victim. When the principle “BY RIGHT OF CONQUEST” is invoked, misjudging your enemy’s strength is disastrous and instead of obtaining wealth and power, all four countries were decimated. The infrastructure, production facilities and most consumable assets were destroyed. Russia, being on the winning side fared better, and they evoked the principle, “BY RIGHT OF CONQUEST” and confiscated the wealth and seized control of the territory of the vanquished. Russia’s action caused years of poverty and misery in Eastern Europe.

The countries that won the war had considerable wealth destroyed. Even though the United States had very little infrastructure damage, five years were spent producing instruments of destruction instead of creating wealth. Instead of innovation pursuing wealth, technology was used to develop new methods of destruction.

After World War II, The United States did not invoke the principle “by right of conquest”. The United States understood the simple truth of “THE MORE WE PRODUCE, THE BETTER WE LIVE”. Everyone wins when wealth is produced rather than confiscated. The United States rebuilt its enemies. Both West Germany and Japan soon became economic powerhouses and we all benefited.

To the United States, a war is simply a danger and a drain on the economy. Unless war is necessary to maintain our freedom and way of life, it should be avoided. There is no chance of increasing the nation’s wealth by use of force. Wars and threats of war (cold war) had a very negative effect on the United States economy during the Twentieth Century. Initiating the use of force destroys wealth. It does not create wealth.

The foreign “Kings” and “Peer’s” still lust for power. The need for an external enemy and wealth (which is always depleted by a totalitarian society) causes conflict with their neighbors. The supporters of the foreign “Kings” and “Peer’s” vilify the UNITED STATES because:

- The UNITED STATES provides proof to their subjects that freedom produces prosperity.
- The United States is an obstacle preventing many of the “Kings” and “Peer’s” from initiating the use of force against their neighbors.
- All “Kings” and “Peer’s” stand ready to invoke the principle of “BY RIGHT OF CONQUEST”. It is not enough to create wealth. Both wealth and freedom require a constant defense.

Innovation causes obsolescence of wealth. Often the innovation is not simply an improvement in the design but a whole new technology. Once, the vacuum tube was used in all electronic devices. When the transistor (solid state electronics) was invented, the vacuum tube and all the

equipment used in its manufacture became obsolete. Other fields, not even related to electronics, like the mechanical calculator, clocks and watches were disrupted. Because of the required maintenance, reliability and efficiency of the vacuum tube, most of the devices which used them also became obsolete and lost most of their value very quickly. It cost less to replace the vacuum tube equipment than to maintain it. Even though considerable wealth was made obsolete by the transistor, the wealth created was far greater. Whole new industries like the computer and “Information Technology” became possible. The value of the obsolete vacuum tube production equipment was insignificant compared to the wealth created by the invention of the transistor (solid state electronics).

However, if the vacuum tube production facilities were a large part of your personal wealth, it could have a very negative effect on you personally. If the owners of vacuum tube technology had successfully lobbied the “Wannabe Peers” to pass laws to prevent the use of silicon, think of the effect that those restrictions would have had on the nation’s wealth. Innovation can have a devastating effect on an individual, while providing great benefits to society. Is it any wonder that innovation always has its enemies? It is easy to see how the “Wannabe Peers” can have a devastating effect on the nation’s economy, often with only a few people even knowing anything happened. Remember, the “Wannabe Peers” are experts at hiding the real reasons and effects of their actions.

Laws seldom promote the creation of wealth. The nature of laws is to prevent actions, not encourage them. Can you imagine Congress passing a law requiring Thomas Edison to develop the light bulb? However, a law to protect the kerosene lamp industry by preventing manufacture of the light bulb is easy to imagine.

Destruction of wealth occurs when it is expended on development of worthless projects and infrastructure which has less value than its cost. Labor and material are limited resources. When labor and material are expended on worthless or losing projects, not only is the wealth expended but it is unavailable for worthy projects. Innovation requires capital. To pursue a project, the innovator must believe that the project

will be profitable and either have the capital or convince investors that the project will produce a profit to obtain the capital. Of course, there is always the “charlatan” with the silver tongue to seduce the investor and skip town with the proceeds or a failure due to an honest mistake, but this method is probably the most effective at eliminating losing projects. The other extreme occurs when the “Wannabe Peers” use the taxpayer’s money on questionable projects (Earmarks) with no thought given to the creation of wealth. The “Wannabe Peers” only objective is to gain power or accumulate unearned wealth.

Innovation increases the nation’s wealth without increasing the money supply. We will call this factor the “Technology Dividend”.

The “Technology Dividend” is defined as the increase in individual productivity facilitated by the innovation.

The “Technology Dividend” is like “compound interest” as it compounds itself with each new innovation. If all other variables were held constant, the value of money would increase due to the “Technology Dividend”. Without the “Technology Dividend” we would still be plowing the ground with a sharpened stick, working from dawn to dark to provide enough food to survive and maintain the “King” in what passed for luxury before the Industrial Revolution. Productivity has been improved such that it takes a minimal amount of work to produce the necessities of life. Since the beginning of the “Industrial Revolution”, even those living in poverty have been blessed with luxuries that King George III could never have imagined. Consider how indoor plumbing, the electric light, the ability to cross the Atlantic Ocean safely in a matter of hours, just to name a few of the inventions have enhanced our lives. The “Technology Dividend” has not applied equally to mankind. Where “Kings” and “Peer’s” control the government, poverty and despair are still the rule. The “Technology Dividend” is in direct conflict with the “Wannabe Peers” objective of increasing the portion of population living in poverty. Innovation cannot be directly opposed by the “Wannabe Peers”. To oppose innovation, the “Wannabe Peers” must use deception, for if their true objectives were to become known; they would lose their standing of moral superiority and be seen as the villains they are. Wealth is destroyed when the

government imposes regulations on the producer. Regulations invariably increase the material content, energy content, investment in “active assets” and/or the labor content of “consumable assets”. Depending on the demand, either the price will rise or the “Commons” profit will be reduced. In any event, the available labor and/or material will be reduced and less of the product (or something else) will be available for consumption. The nation’s wealth will be reduced. In an extreme case, the “Commons” could be bankrupted and the product no longer available, resulting in the loss of all the jobs in the industry (remember Prohibition). Sounds like a good way for the “Wannabe Peers” to push more “Commons” below the poverty line and increase their constituency. The relationship between “Commons” wealth and the “nation’s wealth” is often misrepresented by the “Wannabe Peers”. The “Wannabe Peers” often imply that there is something sinister about the “Commons” (producer) possessing “excessive” wealth and propose government action to limit the producer’s retention and enjoyment of the fruits of his success. Figure 5 shows the relationship between the “nation’s wealth” and the “COMMON’S” wealth.

Wealth (BEST EFFORT) produced by the individual “COMMON” becomes part of the “nation’s wealth”. In return, the “COMMON” receives money, which is exchanged for “consumable assets” (the “best effort” of others), to make investments and to pay taxes (this money goes back into circulation). In return for the taxes, governmental services and use of infrastructure are provided. If the amount of money received exceeds the consumable assets purchased, taxes and contributions, the “COMMON” will have capital available for investment. The investment might be the purchase of a home, bank deposit, stock purchase or be used to enhance the “COMMON’S” business venture. Upon investment, the money goes back into circulation. If the “COMMON” fails to invest the surplus and allows it to stagnate, the amount of money and credit in circulation is decreased, thus increasing the value of the currency. If the investment is successful, its value increases and so does the value of “nation’s wealth” and the currency. The “COMMON” only has two rational choices. The wealth must be either consumed or invested. If there are no unfilled needs or desires as is the case with the most productive “Commons”, the choice must be investment. The more

ambitious “Commons” will forego consumption to finance pursuit of innovation. Income taxes directly reduce the capital available for investment.

One has to believe that since the “COMMON” is only concerned with the future value of the investment and the “Wannabe Peers” are mostly concerned with reelection, that “COMMON” will choose the most efficient use of the capital. If the extra effort the “Commons” must exert produces only the money to pay taxes, there is little incentive for the “Commons” to expend that extra effort. When the marginal income tax rate was increased in the first Clinton Administration, total tax receipts actually fell. A progressive income tax reduces the availability of capital both by taxes paid and reducing the incentive of the “Commons” to produce wealth. A tax on productivity should be prohibited by the cruel and unusual punishment clause of the Constitution. A tax on consumption makes a lot more sense.

Innovation depends on the new ideas, effort and dedication of the “Commons” and is financed by the “COMMON’S” ability to produce or obtain capital. Innovation reduces the labor (increases the productivity of the individual) and/or the material content of “consumable assets”. Innovation creates new products with functions previously unavailable or too costly to market. Freedom of the “Commons” is the most important ingredient in the recipe for the creation of wealth.

## THE NATION'S AND THE "COMMONS" WEALTH

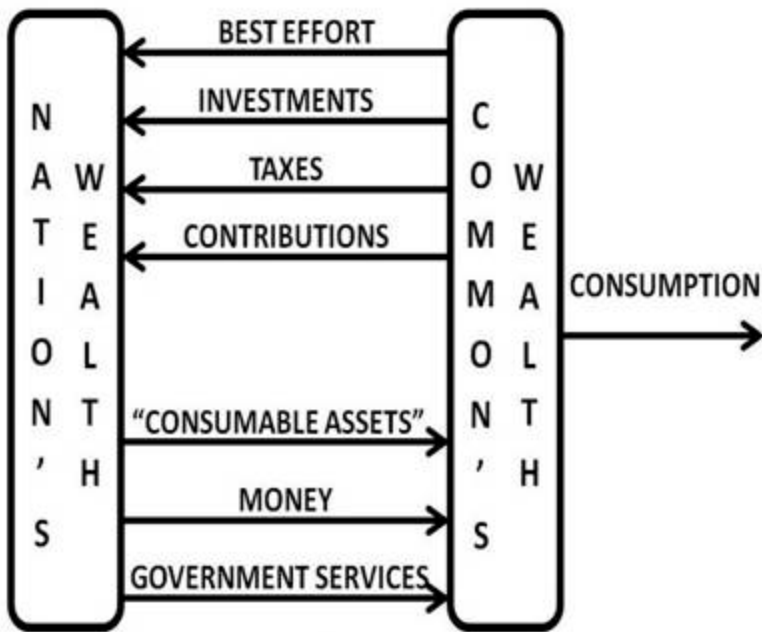


FIG. 6

The "Wannabe Peers" will continue to try to destroy or inhibit the production of wealth in their pursuit of power and this means stifling of innovation and preventing the development of natural resources. If the "nation's wealth" and our standard of living is to continue to increase, the freedom of the "Commons" and their access to capital must be protected. It is the productivity (product/man-hour) of the "Commons" that defines the nation's wealth" and limits the consumption of wealth.

### **SUMMARY**

Innovation, discovery and development of natural resources or invoking the principle of "by right of conquest" are the only ways to increase the nation's wealth. The use of "by right of conquest" (force) is a prescription for disaster so the only rational methods of increasing the nation's wealth are innovation, discovery and development of natural resources.

## CHAPTER THREE

### THE Economic SYSTEMS

“Wikipedia Encyclopedia” lists 52 different economic systems. Actually, there are only three different classes of economic systems. These are the “TOTALITARIAN”, the “MIXED ECONOMY” and “CAPITALISM”. Of the three classes, only “TOTALITARIAN” and “CAPITALISM” can be rigorously defined.

A “MIXED ECONOMY” is as the name implies simply a mixture of the two extremes. The balance of the “MIXED ECONOMY” constantly changes as the “Wannabe Peers” and the “Commons” jockey for advantage. The long term advantage seems to lie with the “Wannabe Peers” as it appears that our freedom erodes with time. The “Wannabe Peers” continually attack our freedom on many fronts. They will be patient for years, knowing that once they obtain a goal, it is seldom reversed. Our near “Capitalist” system is slowly being transformed into a “Totalitarian” economic system.

#### **THE “TOTALITARIAN” SYSTEM:**

The “Totalitarian” system is the oldest, most disastrous and oppressive of the economic systems and is marked by instability. A simple example of the “Totalitarian” system is the Tribal Chief – Witch Doctor system, the system that has held most of Africa in abject poverty for thousands of years. The Tribal Chief seizes the wealth created by the “Commons”. The WITCH DOCTOR then assures the “Commons” that they were privileged to sacrifice to the glory of the Tribal Chief and they will be rewarded for their sacrifice in the “after life”. The primary characteristic of the “Totalitarian” system is the use of unlimited physical force by a “King” (sometimes a small committee) to oppress the “Commons”. If the political unit becomes too large to be controlled by a single individual,

the "King" empowers "Peer's" to extend his control. When possible, any achievement by the "Commons" is claimed by the "King" or "Peer's". Any

**TYRANNY, THE 1<sup>ST</sup> ECONOMIC SYSTEM**  
**[COMMUNISM, SOCIALISM, FASCISM, TRIBAL CHIEF ETC.]**

**TYRANT PROMISES  
UNEARNED WEALTH AND  
SECURITY WHILE  
CELEBRATING  
THE ACCUMULATION  
OF WEALTH & POWER**



**THE PEER USES FORCE TO  
SEIZE WEALTH &  
ENFORCE THE TYRANT'S  
WILL**



**THE MASSES (NEW SERFS)  
PRODUCE THE WEALTH  
EXISTING IN POVERTY &  
DESPAIR**



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achievement which cannot be claimed by the "King" or "Peers" diminishes their power and prestige. The fear of losing their power and prestige causes the oppression of the "Commons" by the "King" and his "Peers" and prevents the "Commons" from obtaining any meaningful benefit from innovation or their labor. The oppression causes discontent among the "Commons." Measures taken to control the discontent escalates and leads to imprisoning the dissenters and even murder by the

“King” or his henchmen, the “Peer’s.” To maintain control of the “Commons”, the “King” invents an enemy. The “Commons” are taught to hate or fear this enemy more than the “King.” An enemy is necessary for the survival of the “totalitarian” government.” Once the fear of the enemy is established, dissenters can be suppressed by accusing them of collaboration with or giving support to the enemy. This deception disguises the suppression, preventing the other “Commons” from recognizing the injustice. Generally, the enemy is external, but occasionally an internal enemy is selected. This usually occurs when the “Wannabe King” is trying to obtain power. Hitler’s selection of the Jews as an enemy while trying to obtain power is an example. The “totalitarian” form of government prevented innovation and progress for thousands of years, but when a “King” achieves control of an industrial society, it can function for years before the economy collapses. Declining productivity caused by economic decisions based upon political expedience and oppression of the “Commons” causes increased dissent. The dissent threatens the “King’s” power and further weakens the economy. The thirst for more power and declining ability of the economy to create wealth cause the “King’s” relations with the “necessary enemy” to become more aggressive. Eventually, either the conditions become so bad that a revolution replaces the “King” or the “King’s” attempts to extract wealth from the “necessary enemy” causes a war. If the war is won, the distribution of some of the confiscated wealth and patriotic fervor gives the “King” wide popularity and allows for the consolidation of power, extending his reign. Losing the war generally results in the “King’s” power being destroyed and the “Commons” losing whatever wealth they had been able to hide from the “King”. Without the intervention of a benevolent outside force, the fall of the “King” will simply result in a new “King” seizing power. Either way, the cycle starts over. The aggressive behavior of “Totalitarian” governments is the main source of the world’s political instability. The fear of attack by a foreign “King” causes free countries to expend considerable wealth for protection.

Do not be fooled, the “Totalitarian” system goes by many names such as Fascism, Socialism, Communism, Kingdom and some that use religious doctrine to justify the blatant use of force against the “Commons” and

their neighbors. Call them what you will, there is no real difference. All are characterized by total power exercised by an individual or small group and oppression of the “Commons”.

Relatively free countries look with horror at the conditions that exist in the “Totalitarian Societies” and frequently try to reduce the suffering of the “Commons” in those countries by supplying necessities. Trying to intervene in the plight of the “Commons” while the “Totalitarian” control is maintained is futile; aid simply strengthens the “King” and prolongs the “Commons” plight.

## **“CAPITALISM”**

# CAPITALISM

GOVERNMENT PROTECTS  
THE INDIVIDUAL FROM THE  
INITIATION OF FORCE



ENTREPRENEUR & WORKER  
PRODUCE THE WEALTH &  
INCREASE PRODUCTIVITY



WEALTH & IMPROVING  
PRODUCTIVITY ENHANCES  
THE STANDARD OF LIVING



THE PEOPLE ENJOY  
FREEDOM AND PROSPERITY



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The opposite extreme of a “Totalitarian” system is “CAPITALISM”. Capitalism is an ideal that has never actually existed; it is analogous to “absolute zero” in thermodynamics. Capitalism is simply an economic system based upon maximum individual freedom. If the economic system is based on individual freedom, the government would be limited to protecting the individual from the initiation of force, both foreign and domestic. Because the term “capitalism” is not well understood, the “Wannabe Peers” agenda will be evaluated by the effect on individual freedom. Pure “Capitalism” may not be practical and might even evolve

into a “Totalitarian” system. However, history indicates that the freer a society is, the more prosperous it is. (This is analogous to a heat engine which becomes more efficient as the temperature of its heat sink approaches Absolute Zero.) When The United States won its freedom, the system established was as close to maximum individual freedom (capitalism) as has ever existed. The “Wannabe Peers” have taken a toll on our freedom and moved our economic system ever closer to the unthinkable extreme, a totalitarian system.

In a free (“Pure Capitalist”) society, the government’s power would be very limited. Military force to provide protection from foreign “Kings” would certainly be a necessity. A domestic police force would be required to maintain domestic tranquility and protect both the individual and public property from the initiation of force. Government owned or controlled infrastructure would be required to allow the police and army access to provide this protection. A court system would be required to enforce contracts, maintain a record of property ownership, settle disputes and correct injustices when one citizen initiated the use of force against another citizen. Fraud, of course, is a form of force as is any action contaminating private or common property such as the atmosphere, public lakes and streams. The government would be responsible for the management of public property. Unclaimed lands, streams, lakes, beaches, infrastructure required for civil and National Defense are examples of this property.

Taxes would have to be levied to pay for these services and taxes are an infringement on freedom (but not a grievous infringement if levied equally and used to pay for services, **not to control behavior**). Wherever possible, taxes should be linked to the services provided. In a free society, many of the government services could be paid for with the “Technology Dividend” by inflating currency at the rate that productivity improves. Properties owned by the government would be maintained or disposed of for the equal benefit of all citizens.

There are some other less obvious government activities that could be justified because they enhance the general welfare and support the government’s obligation to provide for the common defense and maintain domestic tranquility. A very strict interpretation of capitalistic

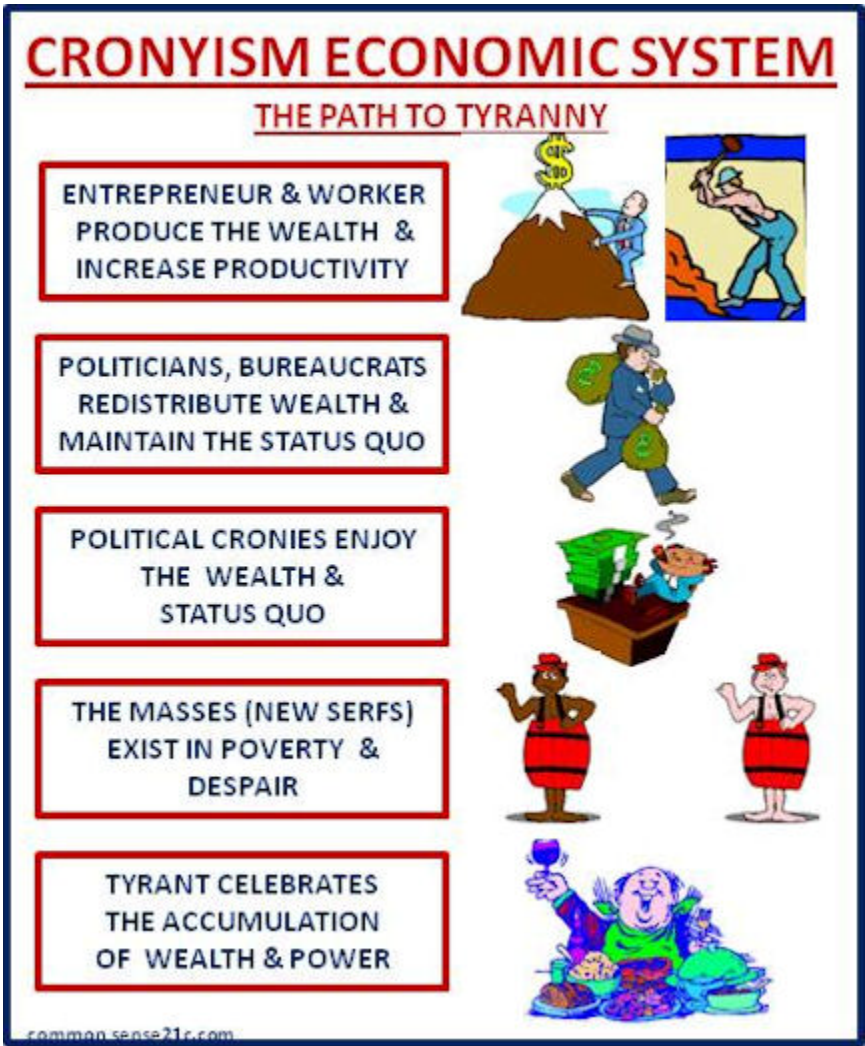
principles might rule out government involvement in such activities programs as education or the “safety net”. Such an interpretation would ignore some important facts. For instance, one could argue that government involvement in education is required in a Capitalistic society because an educated citizen is required for the nation’s defense in a highly technological world. Education is one example of government responsibility that is not obvious from the strict definition of individual freedom (“Pure Capitalism”). Encouragement of the individual’s education does not mean that the government should operate the school system.

The so called “safety net”<sup>12</sup> for the “unfortunate” might also be justified by the government’s responsibility to protect the individual from crime. An individual without food or shelter is in a desperate situation. Without an alternative, the individual will probably resort to violence to survive. Even if you have no compassion for the “unfortunate”, a case could be made that it is more economical (and humane) to provide minimum subsistence and aid for rehabilitation to the unfortunate than deal with the crime that such desperation causes.

A philosophical justification of the “safety net” appears to be irrelevant. In our society, forms of the “safety net”<sup>12</sup> were in existence as early as the Tenth Century; our citizens just don’t want to see people dying from malnutrition and exposure in the streets. So it looks like the “safety net” will be with us. The best policy is to structure it to offer the maximum opportunity and incentive for those caught in unfortunate circumstances to rejoin the productive society.

Some may consider the reasoning that justifies the “safety net” and “public education” in a free society somewhat of a reach. At worst these initiatives (properly implemented) would have little effect on freedom and could greatly enhance the general welfare. The initiatives of education and the “safety net” may well be necessary to maintain our freedom, but the current implementation of these initiatives certainly fails to do the job.

**MIXED ECONOMY:**



In 21<sup>ST</sup> Century America, we live in a “mixed society”. A good definition of the “mixed society” is the graph shown in Figure (7). The graph is a plot of prosperity vs. freedom. The “totalitarian society” is shown zero and the “capitalism” is at the maximum extreme on the freedom scale. A “mixed society” is any space between these two extremes.

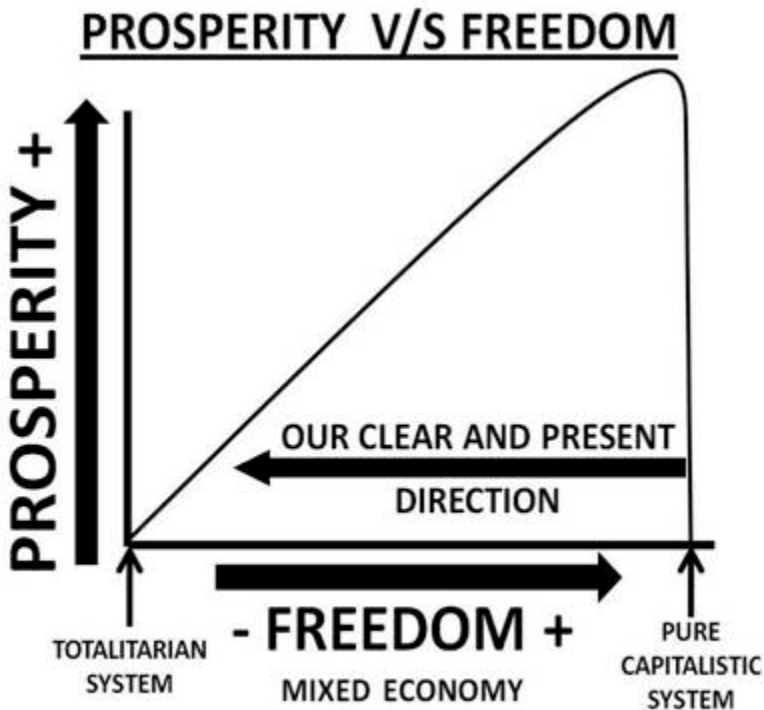


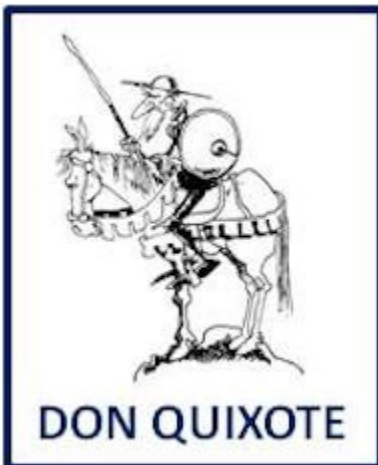
FIG.7

Historical evidence indicates prosperity increases with freedom. Claiming to support the general welfare, the government of a “mixed society” will use the “Wannabe Peers” version of “benevolent coercion” (the use of force, real or implied) to control reluctant individuals. This action differentiates it from the “capitalistic” ideal. Seldom does the use of force against an individual accomplish long term desirable results. Education and logical persuasion are much more effective in creating real and lasting change. “Benevolent coercion” rarely produces desirable long term results and should be avoided except in emergencies (danger from foreign powers).

Both the shape and values shown in Figure 7 are subjective and based upon the author’s understanding of history. The graph shows prosperity reaching a maximum somewhere between the “Capitalism” and

“Totalitarian” system, but much closer to the “Pure Capitalism”. History actually shows only that prosperity increases with individual freedom.

There is no historical evidence available for the area of the graph where the “mixed economy” approaches “pure capitalism. There is no evidence because “pure capitalism” has never existed. The old saying “power corrupts and absolute power corrupts absolutely”<sup>13</sup> applies to all humanity. Without any restraints, a totally unfettered and very successful individual could use economic power to facilitate a coup, thus obtaining the power of a “King” and creating a “Totalitarian” system. Of course, once an individual obtained the ability to initiate physical force, it would no longer be a capitalist system. Someday, society may need safeguards to prevent this type of coup. The danger of losing our freedom through the attrition of the “Wannabe Peers” agenda is much greater than that of a coup by an industrial giant. The task of providing safeguards to prevent such a coup can safely be delegated to future generations. Today, our society is much closer to the “totalitarian” side of the graph than the “capitalist” side. Failure to act soon to reverse the trend will result in America’s first “retro generation” and it may become impossible to recover our individual freedom.



Is prosperity desirable? A stupid question, you say. Not so. Listen to the “Wannabe Peers” touting “global warming”<sup>7</sup>.

True to the principles of the “preponderance of propaganda”, they only promise that their program will end human induced climate change. They don’t talk about the consequences of their program or that there is no proof that climate change is caused by human activity. The Don Quixote of literature attacked the windmills, believing them to be enemies of mankind. The modern Don Quixote (the “Wannabe Peers”) would have us build windmills and engage in other forms of “energy alchemy”. Make no mistake about it the “Wannabe Peers” “energy alchemy” will only increase the cost of your energy. All “consumable assets” contain energy. When available energy is reduced or the cost of energy increases, the capacity to produce “consumable assets” is decreased and the cost of consumable assets that are produced increases. Advocating reduced energy availability and increased energy cost is advocating a reduction in prosperity, by definition. The “Wannabe Peers” are not stupid. They have to recognize the consequences of their proposal, though many of their supporters may actually believe the propaganda. The advocates of the human induced “global warming” theory are telling us that even continuing energy use at the current levels is “environmental suicide”. The truth is that the “Wannabe Peers” “energy alchemy” will end your life as you know it and will have no effect on the climate.

Is prosperity desirable? Certainly, but there are those among us who disagree and would destroy our freedom and prosperity based upon a theory that has been proven only by the dire predictions of disaster if the theory is valid. Why would anyone advocate such drastic actions without some proof of validity of the theory? Remember, prosperity is not in the best interest of the “Wannabe Peers”. The “Wannabe Peers” find it much more difficult to expand their power during periods of prosperity. The “Wannabe Peers” know that prosperity erodes their constituency. Our priority should be to determine which of the issues that have limited our freedom (many with more negative than positive results) should be rescinded or modified. Remember, all programs have produced some positive results for some group or individual. Don’t dwell on the positive results without evaluating the consequences. The “Wannabe Peers” will only tell about the positive results.

Any proposal that violates the principles of individual freedom involves the use of force against the “Commons”. These proposals range from taxation structured to control behavior, to confiscation of property, to incarceration for victimless crimes and sanctions for violation of non-objective laws or unclear regulations that have the force of law. An example is the “income tax code” which has been expanded beyond the capability of any individual to understand and comply with it. When you file your income tax return you can never be sure that there is no error that could result in sanctions.

Does the proposal violate our freedom? The test is simple. In a free society, the citizen would be free to engage in any activity that did not infringe on the rights of others. Does the proposal violate that right? To evaluate a proposal that violates the principles of individual freedom, it is important to determine if the loss of freedom is worth the promised benefit and if the promised benefit is valid. One should also consider the difficulty in regaining the freedom if the promised benefits do not accrue. Rarely is the loss of the “COMMON’S” freedom in the best interest of anyone.

Many of the current government activities conflict with individual freedom. Some may enhance the lives of some group but all threaten our liberty. To maximize individual liberty, laws would be simplified and many repealed. There would be no victimless crimes. This means that laws regulating individual behavior, such as those controlling drug and prostitution, would be limited to regulations that protected the public safety and ensuring that erratic behavior caused by drugs took place only in a controlled environment. Sanctions imposed on the perpetrators of crimes would involve restitution instead of incarceration except when required to control violence. The force of the government would be used to ensure restitution and control the behavior of the criminal (including continuous tracking the perpetrator’s location using GPS technology) until the restitution was completed and the perpetrator’s tendency toward antisocial behavior was corrected. Incarceration would be used only in cases where the public safety is an issue or close supervision is required to force the perpetrator to make restitution. The technology exists to monitor the location of a subject and this technology should be

used to limit incarceration of offenders to those who pose a threat of violence.

The preceding paragraphs are not meant to be an exhaustive definition of a “mixed society”. The purpose is to give the reader an understanding of our economic system and the principles that can be used to improve it. Perhaps absolute individual freedom is not a practical economic system, or at least it may be unacceptable to a many citizens. There is no point in a more lengthy and rigorous definition of capitalism.

In a “MIXED ECONOMY” with a high degree of individual freedom, innovation would cause continual change as old processes and products become obsolete and are replaced by new and more efficient systems. Even though these innovations cause increased wellbeing in the general population, they will cause despair among those who find old skills obsolete or who own the facilities made obsolete by the innovation. Unfortunately, individual economic reverses caused by innovation may change prosperous “Commons” to “Pawns” or “Wannabe Peers”, who try to use the force of the government to protect the “status quo”. The argument they use will not condemn progress but will use some fabricated reason, such as environmental damage, loss of jobs or even religious dogma. These deceptive arguments can be very effective especially when no campaign opposes the argument. Accepting those deceptive arguments will stifle the compounding of the “Technology Dividend”.

Innovation can be very painful in the short run, to those who stand to lose their livelihood or see their property values diminish as a result of innovation. When the government uses its monopoly on force to prevent innovation, we all lose in the long run. Part of the “Technology Dividend” could be used to mitigate the individual losses caused by innovation. Any programs implemented to reduce the impact of innovation should be to aid the victims to recover their productivity, not maintain the “status quo”. Any assets expended to mitigate the pain of change will reduce the assets available for supporting innovation and the growth of the “technology dividend” will be adversely affected.

There are government actions which violate the strict principles of individual freedom that enhance the general welfare with loss of little individual freedom. The “Erie Canal” is an example. Public funds provided by taxation were used to build the canal for purely economic reasons. The canal provided an economic bonanza for the entire region and greatly enhanced the general welfare with very little encroachment on individual freedom. The “Erie Canal” may be one of the best arguments in favor of a “Mixed Society”. The Erie Canal is definitely one of the few government projects that achieved increased general prosperity without oppression of some group of citizens. Any proposed government project that violates the principles of individual freedom should be carefully evaluated before it is implemented. Proponents of this type of project should first use education and persuasion to find private capital for financing. Failure to be able to obtain private capital is a powerful argument against any project but there are projects (like the Erie Canal) that can enhance the general welfare but do not have the profit potential required for private investment.

The Erie Canal is the exception, not the rule. Most government initiatives that violate the principles of individual freedom have negative if not disastrous results. Examples are Prohibition, imprisonment of American citizens of Japanese descent during World War II, attempts to limit inflation by the use of price controls and of course slavery, just to name a few.

Prosperity is a major consideration in the choice of the balance of our “Mixed Economy” but we must not forget that enhancing the general welfare is also important. Though, prosperity and the general welfare seem to complement each other.

The balance of the “Mixed Economy” that yields maximum prosperity and general welfare will have to be found by trial and error. It is quite likely that some minor violations of individual freedom could result in enhancing the general welfare. The enactment of safeguards to avoid an economic coup (as described above) is certainly an example. Currently, we are well below “peak prosperity” and much closer to the “Totalitarian” economy. Many of the government programs that were enacted to apply “benevolent coercion” have been shown to be

somewhat lacking in the “benevolent” department and many should be rescinded or modified to allow them to reach their original objective. Of course, to accomplish this we will need politicians more interested in increasing prosperity than increasing the “Wannabe Peer’s” constituency.

Any law or program that prohibits an action by an individual, where the action does not infringe on the rights of others is a violation of individual freedom. There are many “Wannabe Peers” programs which fall under this definition. All these programs should be examined and most, if not all, should be eliminated. The general welfare is rarely served by restricting individual freedom. Some of these programs may yield positive results (but often temporary) and for a minority at the expense of society as a whole. These programs will be vigorously defended by those who believe they are benefiting.

The philosophical defense (by Ayn Rand) of maximum individual freedom (“Pure Capitalism”) is that it is in everyone’s “long term rational selfish best interest” that everyone is protected from the “initiation of physical force”. This, of course, is a one sentence oversimplification of Ayn Rand’s philosophy<sup>3</sup>, by an engineer, not a philosopher. Ayn Rand<sup>3</sup> believed that the initiation of force against an individual is immoral. The website [www.aynrand.org](http://www.aynrand.org) or her books, “THE FOUNTAINHEAD” and “ATLAS SHRUGGED” will provide the reader with more information on Ayn Rand’s philosophy and writings.

The “Mixed Society” is a mixture of freedom and benevolent coercion by the government. America was never a “Pure Capitalistic” society and some of the coercion was not very benevolent. The Post Office was certainly not a capitalistic enterprise; however, The Founding Fathers felt the Post Office was necessary to ensure communications. Slavery was certainly an exception, as was the treatment of the “Tories” (British sympathizers) after independence was won. The principle of “by right of conquest” was applied to the original inhabitants of America. The initiation of physical force against the Indians was certainly a violation of individual freedom. In the late Eighteenth and early Nineteenth Centuries, “by right of conquest” was still a generally accepted principle and the “Technology Dividend” had not had significant time to accrue.

Survival was still a very difficult proposition and many man-hours were required to produce the “Consumable Assets” required to survive. Many contradictions to individual freedom and even human behavior as we understand it today existed in the early United States. We cannot judge the “Commons” too harshly for flexing their muscle. Remember, the “Commons” were emerging from thousands of years of oppression during which the guiding principle was “by right of conquest” and the only way to obtain wealth was the use of force. Is it any wonder that the Colonies were less than hospitable to those perceived to be outsiders? Before the United States won its independence, there was no such thing as a free society and there was much disagreement as to what a government should be. George Washington is reported to have turned down efforts to declare him “King”<sup>18</sup> several times. Even though no “blueprint” for a free society existed, the “Founding Fathers” were able to establish a society with most individuals free to create and enjoy the wealth they created. The “Technology Dividend” exploded. The “Founding Fathers” created a “Mixed Society” that produced unprecedented wealth, even though that society was a mixture of freedom, benevolent coercion and sometimes initiation of force against the individual. The formation of the government did not resolve the question of what the government should be. It just started the “trial and error” effort to create a better government. The “Commons”, concerned with innovation and creation of wealth, competed with the “Wannabe Peers”, whose objective was personal power. The “Wannabe Peers”, using deception and patience, have been successful in having much of their agenda enacted into law. The benevolent coercion has become less benevolent and the loss of freedom more onerous with time. The increase in the “benevolent coercion” part of the equation has been mixed, occasionally promoting prosperity. Most often “benevolent coercion” has been a pressure group seeking advantage over fellow citizens. Surrender of liberty seldom provides any lasting good. Benevolent coercion is rarely in the long term best interest of either the coerced or the beneficiary. If it were, would coercion be required? If it is truly in the citizen’s best interest, would it not be better to gain compliance through education and logical persuasion than the use of force? Of course, issues like funding the “common defense” require

participation of all citizens. All citizens reap the benefits of economic and political stability provided by the “common defense”.

If there were any doubt as to which economic system produced the better standard of living, it should have been resolved by a tale of two Koreas.

In the early 1950’s, the Korean War left the Korean peninsula decimated. At the end of the war, the “Totalitarian” government of North Korea remained in power in contrast to South Korea’s mixed economy (mostly capitalistic government). Since that time, South Korea’s economy<sup>4</sup> has grown to be rated fourth in Asia and thirteenth in the world. North Korea’s economy<sup>4</sup> is now twenty-eight in Asia and eighty-fifth in the world. South Korea’s “GDP” (gross domestic product) is almost 37 times the North Korean GDP. Even these figures do not adequately describe the famine and misery existing in North Korea.

All the historic evidence shows that the system which provides the most individual freedom provides its citizens with the highest standard of living and more satisfying life. Yet, the United States continues to adopt the portions of the “Wannabe Peers” agenda which limit freedom, even though most of the country’s problems can be traced to the loss of freedom and restrictions placed on the economy by that agenda. This divergence from “Capitalism” seems to be accelerating. If this trend is not reversed, it will be difficult to recover our freedom. The success of the “Wannabe Peers” agenda continually increases the ranks of those dependent on the government, enlarging the “Wannabe Peers” constituency and making recovery from the trend toward the “Totalitarian” society more difficult to reverse.

The government controls vast wealth. Consider the infrastructure, public lands, military hardware, military bases, the postal system, the public school system, airports, the National Parks, government buildings, the gold stored in Fort Knox and other wealth too numerous to mention. The government is similar to a corporation where each citizen is a stockholder. It is the government’s responsibility that each citizen benefits equally from the government’s wealth. The “Technology

Dividend” has had over two hundred years to compound and the man-hours required to produce the “Consumable Assets” required for survival has been reduced to very low levels. Options available for providing aid to the unfortunate are now available at minimal cost to society. Justification for this aid is presented by the vast wealth controlled by the government and the “Technology Dividend” which are the property of every citizen, even though such aid might conflict with some people’s concept of “Pure Capitalism”. Properly configured, such aid could enhance the productivity of many of the unfortunate and increase prosperity and the general welfare.

### **RECIPE FOR EVALUATION OF PROPOSALS:**

The “Wannabe Peers” are constantly proposing new assaults on our freedom and wealth. These proposals are always preceded by a “preponderance of the propaganda” that extols the virtue of the proposal and total neglect of any adverse affects. The principles that assure individual freedom and creation of wealth have been used to develop a list of questions to help the reader evaluate these proposals. A “yes” answer to any question should raise serious questions about the proposal. The proposal should be rejected, outright, or given serious and detailed analysis.

**QUESTION:** Does the proposal favor a special group?

**PRINCIPLE:** Every citizen is equal under the law. Special “rights” awarded to any group diminishes the freedom of all.

**QUESTION:** Is the purpose of a proposed tax to control behavior?

**PRINCIPLE:** The legitimate purpose of taxes is to raise revenue. A tax to control behavior is a violation of individual freedom, usually proposed after a campaign to vilify the behavior. The real reason of the “Wannabe Peers” is usually the desire to raise taxes and increase the amount of wealth controlled by the government, while obtaining support from those who would use government force to control individual behavior.

**QUESTION:** Does the proposal increase the cost of producing “consumable assets”?

**PRINCIPLE:** Campaigns to vilify the producer often precede the proposal for government controls on production or performance of a product. Government controls always raise costs which are passed on to the

consumer or reduce availability of the “consumable asset”. Punishing the producer is not in the best interest of the consumer.

**QUESTION:** Does the proposal make it more difficult or illegal to harvest natural resources?

**PRINCIPLE:** Inability to harvest natural resources inhibits the creation of wealth. Current restrictions have impacted our standard of living, increased government control of our individual behavior and had a disastrous effect on our foreign policy.

**QUESTION:** Does the proposal limit the use of private property?

**PRINCIPLE:** Limiting the use of private property reduces the value of that property and is actually a tax applied against the owner of the property. It is grossly unfair to use legislation to seize the use of private property without just compensation to the owner. It diminishes the freedom of all. This includes zoning laws, land use laws and environmental restrictions enacted to benefit a mutant fish in a temporary mud puddle.

**QUESTION:** Does the proposal seek to protect the “status quo” at the expense of innovation and progress?

**PRINCIPLE:** Growth of prosperity (innovation) requires continuous redeployment of resources to develop new products and processes. Innovation obsolesces both assets and labor skills, causing economic losses to those adversely affected. Displaced industry and labor often try to mitigate their losses by using government force to stifle progress.

**QUESTION:** Will the proposed project consume more wealth than it produces?

**PRINCIPLE:** Many proposed government projects are selected based upon political expedience rather than economic worth. This is especially true of projects that have commercial applications. Projects that will produce good profits have no problem raising capital to develop them. Charlatans frequently try to obtain government funding for questionable projects that private capital shuns.

**QUESTION:** Will the proposal diminish your freedom?

**PRINCIPLE:** Enough said.

## **SUMMARY:**

In succeeding chapters many of the current specific government programs are evaluated. To highlight the effects of the use of government force against the individual, several historical programs will

be studied in depth and the disastrous results exposed. Recommendations will be made based upon the analysis. All recommendations will enhance individual freedom and prosperity. Of course, enhancing the “COMMON’S” freedom and prosperity will destroy some of the power of the “Wannabe Peers” and deplete their constituency as prosperity reduces the ranks of the poverty stricken.

### **END OF SAMPLE**

The illustrations will be in grey scale in the print edition. If the device you use to view the Kindle Edition has a color screen the illustrations will be in color.

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