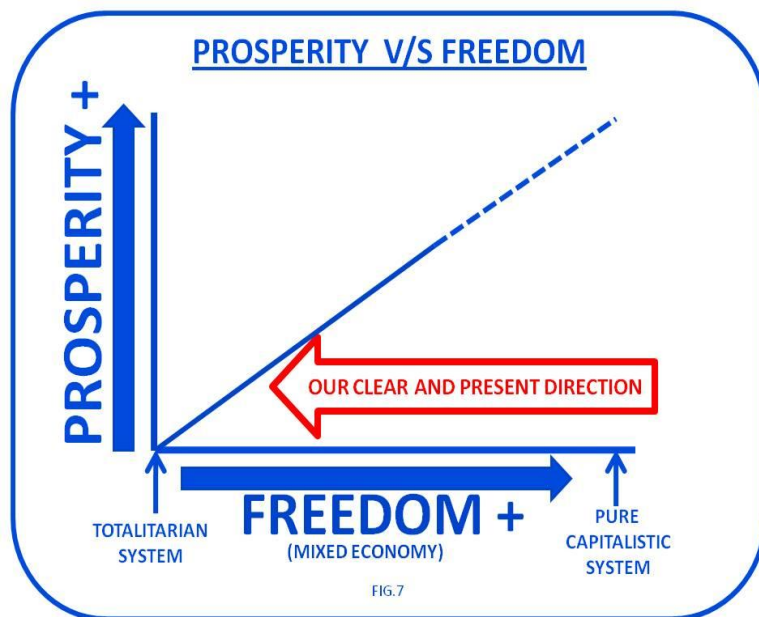


The failure of CAPITALISM!

The aspiring "PEERS" have initiated a new "PREPONDERANCE OF PROPAGANDA" initiative. Every aspiring "PEER" interviewed on television repeats the same lie. The lie? "CAPITALISM (INDIVIDUAL FREEDOM) HAS FAILED; WE NEED A NEW AND MORE BENEVOLENT FORM OF GOVERNMENT." This is the first time in my memory that the majority party has dared to openly attack "INDIVIDUAL FREEDOM ("CAPITALISM"). Will they succeed in reinstating a "MEDIEVAL SOCIETY"? Can the aspiring "PEERS" resurrect a society where political power, not productivity, determines the control of wealth? Will KING GEORGE III have the final laugh?

For those not familiar with the terminology used in "21ST CENTURY COMMON SENSE", the "PEERS" are politicians who lust after the power and control over the "COMMONS" (producers) that the "PEERS" of 17TH Century England enjoyed under KING GEORGE III.

How could "INDIVIDUAL FREEDOM" ("CAPITALISM") fail?
"CAPITALISM" HAS NEVER EXISTED. How do you answer such an absurd lie?



Well, it may not be a lie. Some of those who say that "INDIVIDUAL FREEDOM" ("CAPITALISM") has failed, may just be ignorant. So for the record, let's define "INDIVIDUAL FREEDOM" ("CAPITALISM"). "CAPITALISM" is freedom of the individual from

the initiation of physical force by the government and the protection of the individual from physical force. Does that sound like the system that failed? Since the Constitution was adopted, the aspiring "PEERS" have chipped away at our individual freedom. Historically "INDIVIDUAL FREEDOM" ("CAPITALISM") is the most efficient method of the deployment of capital. In a capitalistic society, investment is made by individuals or groups of individuals with the objective of the creation of wealth. The government deploys capital based upon the reward of political cronies.

Of course, there are unavoidable government expenditures required for the "common defense", protection of the individual from the initiation of physical force (this includes necessary protection of the environment and even some form of "safety net" can be justified). Some justification can be made for government financing of infrastructure that private investors find impractical.

An exact quantitative difference between our "mixed society" and "INDIVIDUAL FREEDOM" ("CAPITALISM") is difficult to define. The deployment of capital can be used to define some of the divergence of our mixed society from "INDIVIDUAL FREEDOM" ("CAPITALISM").

Government deployment of capital for anything other than the legitimate purpose of government is a violation of individual freedom (CAPITALISM). Let's look at the federal budget and determine how capital is spent in violation of "INDIVIDUAL FREEDOM" (CAPITALISM") and what percent of "Gross Domestic Product" that expenditure represents. Even the expenditures for war (though they may be necessary to protect individual freedom) are nonproductive and a drain on the economy. However; the effects of war on the economy can hardly be used to discredit "INDIVIDUAL FREEDOM) ("CAPITALISM"). Many of the government programs have been in existence for years and the cumulative effect on the economy cannot be determined. We will never what "could have been and should have been".

The "GROSS DOMESTIC PRODUCT"¹ (GDP) of the UNITED STATES for 2007 was \$13,807.5 billion (2008 GDP was \$14,264.6 billion the federal budget³ for 2008 was \$2,900 billion or 20.3% of the GDP. Over the last 50 years the real GDP has grown at an average rate

of 3.26%; the real per capita GDP growth has been 2.13%¹. The government spends over 20% of the GDP and 6 times the average growth rate of the economy. SOCIAL SECURITY, MEDICARE, MEDICAID & SCHIP (children's health insurance program), unemployment/welfare and the interest on the National debt total \$1,788 billion or 12.5% of the federal budget. While you may consider some of these expenditures desirable, most cannot be classified as "INDIVIDUAL FREEDOM" ("CAPITALISM"). This leaves approximately \$1,100 billion of "DISCRETIONARY SPENDING".

Military and defense spending accounts for about \$626 billion, leaving \$488 billion for items like foreign aid, earmarks, government bureaucracy, etc.

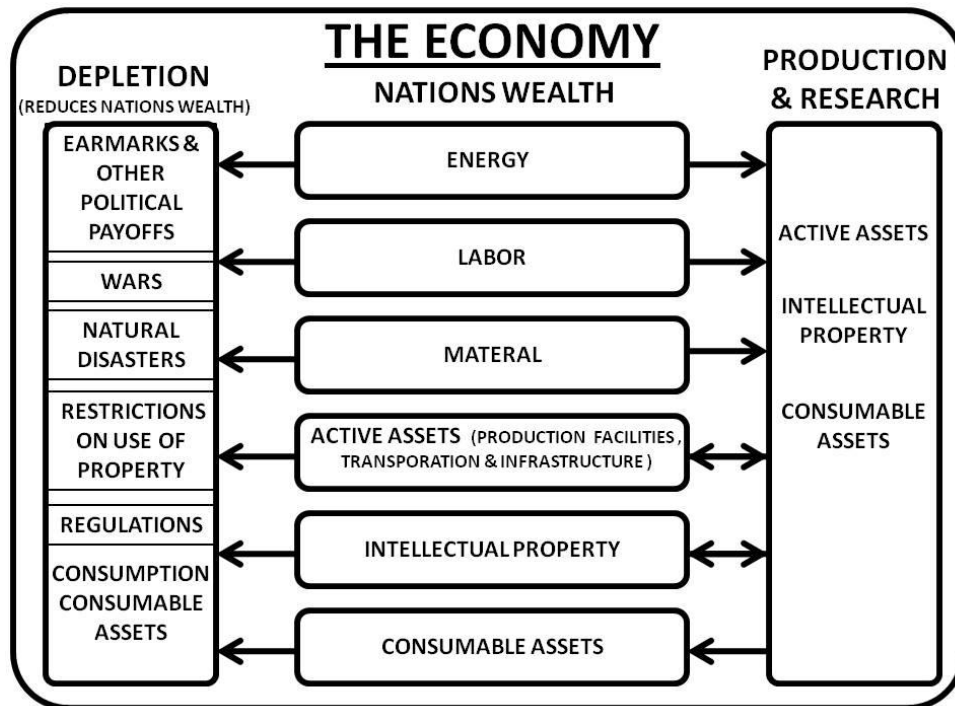
It is difficult to determine exactly how the money is actually spent, and I am not sure that the listed military spending includes the "off budget" expenses for the Iraq and Afghanistan war. One could make a reasonable estimate that at least \$1,400 billion (Ten percent of the GDP and over 3 times the historical economic growth) is expended on items that violate "CAPITALISTIC PRINCIPALS". Some of these expenditures probably produce something of value but many actually increase the cost of production of other goods and services.

The remarkable thing is that what little "INDIVIDUAL FREEDOM" ("CAPITALISM") we have been able to retain has been able to finance the waste without crashing for this long.

Perhaps the failure of "INDIVIDUAL FREEDOM" ("CAPITALISM") is its inability to grow fast enough to cover the aspiring "PEERS" destruction of wealth

The above analysis is just the beginning. The solution offered to the collapse of the economy is to increase the portion of the "GDP" deployed by the federal budget. The Federal Budget is estimated to grow to 36% of the GDP in 2010 as we throw more of our seed corn to the chickens.

Can you imagine the wealth that would be created if even one half of this wasted wealth were to be invested in projects selected to create wealth instead of projects selected for the enrichment of political cronies?



The above chart shows the economy's operation. Energy, labor and material are finite quantities. This wealth expended on frivolous politically inspired projects or used to wage war is not available for economic growth. Even though a war may be necessary to maintain our freedom, you cannot blame "CAPITALISM" for the consumption of wealth used to wage war or wealth destroyed by natural disasters. The wasted wealth, as onerous as it is, is not the most destructive departure from "CAPITALISM".

The restriction of individual freedom (definitely a violation of "CAPITALISTIC PRINCIPLES") is at least as destructive as the government waste of the nation's wealth on projects designed to enrich political cronies. If the regulatory brakes were removed from the economy, we might even be able to afford the aspiring "PEERS" extravagant expenditures.

If the aspiring "PEERS" real objective were aiding the unfortunate, this is exactly what they would advocate. But the objective of the aspiring "PEERS" is the use of the ballot box to obtain power and control over the "COMMONS" (producer). Destruction of wealth increases the number of citizens dependent upon the government thus increasing the "PEERS" constituency.

What are the brakes the government has applied to the economy?
Any use of the government's "monopoly on force" is used to:

1. Give one segment of the population an advantage over other citizens.
2. Unnecessary restrictions on production or harvesting of natural resources.
3. Forcing the producer to add unwanted features or outlawing desired features.
4. Use of taxes to control individual activity or production.
5. Restricting the individual's use of privately owned property or confiscation of private property without adequate compensation.

Violations of the items on this list are too numerous to even try to make a complete accounting. The following are some of the more fragrant and destructive violations:

1. Encouragement and forcing financial institutions to make mortgage loans to individuals with poor credit or inadequate income.
2. Restrictions on the employer's right to enter into agreements with employees free of the intimidation of government force.
3. Abuse of eminent domain.
4. Restrictions on the production and use of energy designed to protect the environment from unproven and highly improbable theories.

Some of those declaring that "INDIVIDUAL FREEDOM" (CAPITALISM) has failed may simply be ignorant of the definition of "CAPITALISM". Others may be aspiring "PEERS" trying to return us to the days of KING GEORGE III. Their motive or intelligence is irrelevant. Their credibility is forever destroyed with people who think for themselves.

THROW THE RASCALS OUT.

- (1) GDP <http://www.measuringworth.org/usgdp/>
- (2) EARMARKS <http://earmarks.omb.gov/>
- (3) 2008 FEDERAL BUDGET
http://en.wikipedia.org/wiki/2008_United_States_federal_budget#Total_spending
- (4) http://en.wikipedia.org/wiki/Government_spending#Federal_Spending