

Pure Political Philosophy

Natural Law and Sulaocracy



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Introduction



Understanding natural philosophy is of prime importance to understanding life. I will attempt to explain philosophy and economics. The two are interconnected. In fact, it is critical to understand philosophy *before* you understand economics. To be an economist, you must be a philosopher. Of course, with economics, you are dealing with limited resources; whether it is goods or time, the resources are limited and must be utilized wisely. The sun is useful but is not considered an economic good—it does not fall under our control. Air, under normal circumstances, is not an economic good—there is a superabundance. Air under water, in high altitude, or space, is an economic good. This may be somewhat obvious, although the details may not be. Economics involves exchange and limited resources. You must understand property.

Before there is a discussion of economics at all, one must understand how property comes into ownership. It is property titles being exchanged. To do this, it is necessary to begin the discussion at the very beginning—self-ownership. I understand we live in a complex economy; however, an understanding of natural law comes from the beginning. The best way to understand this is using thought experiments since we cannot do laboratory experiments. I, like all good economists, use the thought experiments of a man isolated on an

island and the evenly rotating economy. I then introduce another man, and people can be introduced until we are at our modern economy. Any change in the economy can be chaotic. For this, we must hold every factor equal, but change just one factor at a time. Then, we can envision what will happen.

Mortal man must use logic to fully comprehend philosophy and economics. To accomplish this, we must use reason. To be clear, I am merely describing and making observations. I am not proposing any policy prescriptions—this does not imply the truth will be suppressed. The reader should not assume this is anything but a description. This writing is value free. I do not claim one thing over another. This is an attempt to be wholly consistent through the use of deductive logic. I have come to absolute certainties, better yet, eternal truths. However, “I” may have come to certain conclusions, but there is absolutely no way I could have come to them without those who have come before me.

Lastly, I do explain political philosophy using what I have described previously. Political philosophy is *not* politics. Philosophy and economics will allow the reader to describe and understand the consequences, if they allow themselves to accept the truth. Then, I do end with aphorisms. This book does not explain philosophy and economics completely. I am aware there is much more to be discussed. I am also aware that not everyone wants to read every single book explaining these topics. I have synthesized the information while remaining clear and concise. The aphorisms add to what has been described. Doing so, the reader will be more informed.

I do not expect the reader to swallow whole what they have read here. The truth is a tough pill to swallow. Philosophy and econom-

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ics are nauseatingly misunderstood. Many people read or watch the news and think they are experts. This does not happen in any other field. This is like thinking you can design a vehicle because you have driven one. Few people can fix one, nevertheless design one. There is much more to philosophy and economics than a political shill discussing a topic. There is a list of recommended reading for anyone who desires to know more. Before you begin your journey, always keep in mind a quote by Johann Wolfgang von Goethe, “What is false is usually more comfortable for feeble people.”

Chapter 1



Method

Never does nature say one thing and wisdom another.

—Juvenal

Natural Law

To begin anywhere, we must have a starting point. This starting point can neither be arbitrary nor inexact. Through deductive reasoning, we will work our way to the ultimate end—the human body. It is an apodictic truth we own our bodies. After all, who can own our bodies other than ourselves? Nobody can directly control another’s body. Another’s body can only be controlled indirectly. We can then say our bodies are private property. This is our firmly deduced starting point. However, the word “firmly” can be misleading. This implies there may be other alternatives; there are not. This is the universal starting point for all people of all ages, this

is the natural human condition. This has never changed nor will it ever change in the future.

It is often said natural law is written on the heart. It is justified by citing some sort of divine intervention or authority.¹ Natural law is not written on the heart. It is the nature of man; nothing more, nothing less. There is not a divine authority writing this on your heart. This would be supernatural, divine, or theological law. This has been used to justify the divine authority of kings and supremacy of the religious leader. If one accepts this, they are agreeing some should have authority over other; the legislator shall have authority over the legislated. I will not be engaging in a theological discussion. Natural law does not involve theology nor can an intelligent discussion involve anything other than the nature of man.

Thomas Aquinas believed positive law should adhere to natural law.² This is entirely wrong. If positive law adheres to natural law, it is natural law, not positive law adhering to natural law. Positive law must go against natural law. It is a lame attempt to subvert natural law. Matthew Hale confused divine, positive, and natural.³ Great thinkers have failed to properly recognize the difference. Positive law is manmade law and asserts one has sovereignty over another. They are incompatible. It is an aggression against property and interferes with freedom of choice. This is not to say a property owner cannot establish rules or customs on their property. On the contrary, a property owner can, and likely will, establish rules on their property. No individual can

¹ Robert Filmer, *Patriarcha or The Natural Power of Kings*.

² Heinrich A. Rommen, *The Natural Law: A Study in Legal and Social History and Philosophy*, (Liberty Fun, Inc., 1998), This was also believed by Plato, Aristotle, the Late Scholastics, et al.

³ Matthew Hale, *Of the Law of Nature*, (Acton Institute, 2015), 35.

make rules on another's property—this would be positive law. It is not a violation of natural law to maintain order in your own house, but it is a violation to demand someone else establish rules in their house.

This is bound to cause hostility and claims of the author being an anti-religious zealot. I will let reason be the arbiter of the argument. Through the use of deductive reasoning, not theology, I have come to the very beginning—man's body. This is neither religious nor anti-religious. Preconceived notions can warp ideas and pervert the truth. I will follow the argument, not have the argument follow me. As Aristotle and St. Thomas pointed out, it is this reason which distinguishes man from the animals, and to act deliberately toward an end, raising him above purely instinctual behavior.⁴ Reason is not bound to the passions with arbitrary ends; the ends are selected by reason.⁵ Man is operating in a universal system of ethics which may, or may not, be guided by morals. This is the vital difference between humans and nonhumans. The nonhumans are guided by instinct. The human has the mental faculties—rationalizes his use of means—to attain an end. This is the nature of man; nothing more, nothing less. Philosophy begins with the inescapability of natural law.⁶

Action

We have established man owns his own body. Now, I must discuss what to do with that body. The human must act. Acting is pur-

⁴ Frederick C. Copleston, S.J., *Aquinas*, (London: Penguin Books, 1955), 204.

⁵ Murray N. Rothbard, *The Ethics of Liberty*, (New York University Press, 2002), 7.

⁶ Heinrich A. Rommen, *The Natural Law*, 3.

poseful behavior to achieve an end—praxeology, the logic of human action.⁷ The use of means to achieve the desired end. This is called the action axiom or the axiom of human action.⁸ Thinking is still a form of acting. The individual does not have to physically move to act. The human must act; any contrary notion is illogical and would grossly deviate from deductive reasoning. Human action can only be undertaken by the individual actor. Any action taken by another would mean we do not own our bodies. There is no such action taken by groups, collectives, or states to achieve an end.⁹ Only the individual thinks and acts. Society and various groups do not have one mind. The individual has a mind; the individual owns the mind. It is private property.

The individual will act to remove an uneasiness.¹⁰ The individual must believe this action will remove the uneasiness—attain his ends. If this was not the case, the individual did not believe this, the action would not be taken. This action is taken by use of means, the body, transforming matter, the use of time for the removal of the uneasiness. It is possible the action fails to remove the uneasiness. The action can either remove the uneasiness or not. It failed to accomplish the desired end. This is a gain or loss; if no money is exchanged, it is a psychic gain or loss.¹¹ It a gross misunderstanding to assume human action is always geared toward profit. Economics

⁷ Ludwig von Mises, *Human Action: A Treatise on Economics*, The Scholar's Edition (Bettina Bien Greaves, 1998), 29.

⁸ Murray N. Rothbard, *Man, Economy, and State: A Treatise on Economic Principle*, The Scholar's Edition (Ludwig von Mises Institute, 2009), 3.

⁹ Ibid.

¹⁰ Ludwig von Mises, *Human Action*, 13.

¹¹ Ludwig von Mises, *Human Action*, 287.

is not the science of money. Action will not always be toward a monetary gain. Leisure is action. The uneasiness may have been working too hard. The use of scarce means, your body and time, was used to relax. The end was relaxation. The means was used to accomplish an end. Labor and time are scarce; they must be economized as anything else. Economics is the reasoned use of scarce means.

Human action is a deliberate action to remove an uneasiness. This must be distinguished from involuntary bodily movements.¹² A sneeze would be an example of an involuntary bodily movement. This is the body's response to remove an uneasiness—expel germs. This matter is highly important to biology. This matter is unimportant for this excursion to understand philosophy and economics. To understand action, I will focus my discussion on deliberate action which is decided by our mental faculties and the use of reason. This is the means I will use to accomplish my end.

Epistemology

Any discussion of human action will involve two distinct branches: praxeology and history.¹³ History is past human action. It is quantitative. Praxeology studies the logic of human action aimed toward a goal which is always in the future. This is always qualitative. “Qualitative economics” is redundant. Economics is always qualitative; economics history deal with the past which is quantitative. The history of human action can encompass several various factors and various interpretation of those factors. A historian may conclude why

¹² Ludwig von Mises, *Human Action*, 11.

¹³ Ludwig von Mises, *Human Action*, 30.

certain actions were taken and the result achieved. Another historian may conclude something very different interpreting the exact same actions. Statistics can only be history and cannot be used to predict human action. An actor can act two different ways at two different times under the exact same situation. Different individuals have different valuations, and the exact same individual will have different valuations at different times.¹⁴ Valuations can and will change. Human action is always a variable. Variation is the only constant in human action.

Since human action is always a variable, laboratory experiments cannot be performed with regard the human action.¹⁵ An economist conducting a market experiment is patently absurd. The physical science—physics, chemistry, biology, etc.—can conduct laboratory experiments. The social sciences cannot. Any social scientist engaging in such behavior is engaging in nonsense. Laboratory experiments cannot be done, but the natural law can be established a priori. What is the logical status of economic propositions? Ludwig von Mises beautifully answers this question:

They are, like those of logic and mathematics—a priori. They are not subject to verification or falsifications on the ground of experience and facts. They are both logically and temporally antecedent to any comprehension of historical facts. They are a necessary requirement of any intellectual grasp of historical events. Without them, we should not

¹⁴. Ludwig von Mises, *Human Action*, 56.

¹⁵. Ludwig von Mises, *Human Action*, 31.

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be able to see in the course of events anything else than kaleidoscopic change and chaotic muddle.¹⁶

This statement is excellent, but some examples will suffice to provide reinforcements. There are some statements which are incontrovertible: two straight lines can never enclose a space, a ball cannot be red and non-red all over, an exchange will happen when the giver receives more than he gives away. It will strike one as absurd to claim these are hypothetical. If they are hypothetical, we can reverse them, and they will be just as legitimate: two straight lines can enclose a space; a ball can be red and non-red all over; an exchange will happen when the receiver gives away more than he receives. It would be absurd to claim this. All too often, convictions block intuition, and they get in the way of truth. Lies are more comfortable for those who do not possess the will to truth. It must be admitted some knowledge does not require testing; they are a priori.

Pure Reason

The human mind is not a “tabula rasa” as John Locke says. The human mind can grasp reality prior to any such events. All knowledge does begin with experience, but it does not arise from experience.¹⁷ A child may develop the knowledge of addition by looking at his fingers, but once he does, he knows it to be true without further experience. Humans developed the logical structure of mind throughout the course of evolution. There is information known prior to any

¹⁶ Ludwig von Mises, *Human Action*, 32.

¹⁷ Immanuel Kant, *Critique of Pure Reason* (The Penguin Group, 2007), 37.

experience. A universal judgement is a priori, whether analytic or synthetic.¹⁸ Prior to moving on, I will describe analytic and synthetic judgements. I will also have to explain how such judgements are verified, either a priori or a posteriori.

Judgements are divided into two classes—analytic and synthetic. An analytic judgement is a single proposition. For example, a single word—a bachelor is an unmarried male. A synthetic judgement contains multiple propositions. They have been combined to create a single judgement: the bachelor is tall. It must be described how one can come to a judgement. After all, some require experience or are empirical; others are independent of experience. It was very common to assume all analytic judgements are independent of experience (a priori) and all synthetic judgements require experience (a posteriori). This was a very common way to think before Immanuel Kant arrived on the scene. It was his great insight which elucidated the fact that a priori synthetic knowledge does exist.

It may not seem possible a priori synthetic knowledge can exist. After all, many philosophers thought this as well. A closer examination of judgements will make this abundantly clear. It was mentioned above that knowledge is contained within an analytic judgement. A bachelor is an unmarried male. This is definitionally true. It would be absurd to go around to all the bachelors and ask them their marital status and sex. We know this a priori. Experience is not needed to determine if bachelors are unmarried or males. Analytic judgements have not been disagreed by philosophers. They have all known knowledge is contained in them. Synthetic judgements will require deeper examination.

¹⁸ Immanuel Kant, *Critique of Pure Reason*, 39.

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It has commonly been assumed synthetic judgements must require experience. That is what the empiricists have claimed. Yes, some synthetic judgements do require experience; however, not all. As Ludwig von Mises brilliantly pointed out, economic statements are like logic and mathematics which do not require testing or any observations. Take $5 + 5$, this equals 10 anywhere in the universe at any time. We do not have to travel to another county, the moon, Mars, or any other place to determine this. We can also say the internal angles of a triangle, when added together, equals 180. A triangle is defined as “a plane figure with three straight sides.” This is not definitionally true, but we know this without testing. A protractor is not needed to measure the angles. We do not have to travel to another location to measure. Just like the example above, this is true at any place at any time. This does not require even the slightest amount of empirical data.

It has been asserted that geometry is empirical because scientists have argued that space can bend.¹⁹ There is much wrong with this. Agree, scientists have argued that space bends. They have argued that, but have we ever found a plane figure with three straight sides that does not have internal angles totaling 180? No. If we ever did, it would not, by definition, not be a triangle. A new name, with a new definition, would have to be formed. This is absurd as saying every three-sided, straight-lined, enclosed shape, would have to be measured with a protractor to prove it is a triangle. It was mentioned no triangle which has been described has ever been found. So, if geometry is empirical, this still fails with all empirical data.

¹⁹ Professor Gilbert Harman is interviewed at Princeton on epistemology, language, philosophy of mind, cognitive science, and ethics.

It has also been asserted “bachelor” is not definitionally true.²⁰ The reason for this, some people have not used the term correctly. The evidence is the word has been used incorrectly in the past. So the language has been used incorrectly; this is the evidence. If the word has been used differently in the past, it can come to mean something different. The word “bachelor” is used to describe an unmarried male. If this changed, that by no means proves that all statements are empirical. If bachelor also includes married males which are going through a divorce and are dating, the definition will be changed or a new word will be used to describe that situation. Bachelor would still be definitionally true. If the definition changes, the example will change. It must be stressed that a bachelor being an unmarried male is only an example. Arguing against this does not address the substance of pure reason in the slightest.

This goes for all empirical claims, not just those addressed. If nothing could be known for certain, we would have to test every single statement, then how would we make the claim to know anything. Obviously, the empiricist is certain about the claim that nothing can be known for certain. This statement is clearly contradictory. If nothing can be known for certain, this statement would have to go through never-ending tests. Therefore, we would know nothing about anything. Life would be a never-ending game of tests.

The mind, like any other organ, is developed prior to being born; this includes the brain. The brain is not just developed, but also the mind. The logical structure of the mind is developed before we are born. Not only that, the structure of the mind was developed

²⁰ Ibid.

in our origin.^{21, 22} This was not just believed by Mises but later proven by one of the most eminent psychologists of all time. The known world does not begin until the mind has developed. It is more correct to say, “the known world began as soon as the logical structure developed.” This should sufficiently explain the status of a priori synthetic propositions. This is important for discovering economic laws. All analytic statements are a priori. Synthetic statements can be a posteriori and a priori. A posteriori analytic propositions do not exist. Economic propositions do not require testing. Economic laws do exist. The next step is to explain how this is done.

Economic Laws

No philosopher can have a complete understanding of political philosophy without complete knowledge of economics. The purpose of action is to remove uneasiness. The never-achieved goal is the removal of all uneasiness. Therefore, it must be stated action tends toward equilibrium.²³ The removal of all uneasiness means there are no longer profits and losses, no exchanges, no data, and all action is constant. This state is an imaginary construction.²⁴ This is called the evenly rotating economy (ERE).²⁵ The ERE will be used in thought experiments since it is impossible to conduct laboratory experiments. Outside of the ERE is perpetual change. The information is always

²¹. Ludwig von Mises, *Human Action*, 35.

²². Carl G. Jung, *Archetypes and the Collective Unconscious*, (Princeton University Press, 1969), ch. I.

²³. Ludwig von Mises, *Human Action*, 245.

²⁴. *Ibid.*

²⁵. Ludwig von Mises, *Human Action*, 248.

changing, time preferences, human action is in response to human action. Economic laws cannot be made from occurrence nor experience. Action always tends toward a state of rest.²⁶ The ERE is the logical method for analyzing economic problems by removing constant change. We can isolate the economy and deduce pure logical consequences. It is illogical to presume this will not elucidate economic conditions. The economy is highly complex, and it has been reduced to simplicity for complete understanding.

The econometricians will believe the economy can be turned into a mathematical formula. It will seem what was once a variable is now a constant. They believe this will now make mathematical economics possible. However, the ERE is a thought experiment used to discover economic laws. There are no constant qualitative relationships in human action. Even if, in the ERE, the supply of a good rises, the price will fall. This we know a priori, but it can never be said by how much the price will fall. There is not a constant qualitative relationship between the supply of goods and price or anything else involving human action, nor can mathematics set you on a path to achieve the never-achieved equilibrium.²⁷ J.E. Cairnes viewed economics quite similarly: “What I venture to deny is the doctrine which Professor Jevons and others have advanced—that economic knowledge can be extended by such means; that Mathematics can be applied to the development of economic truth.”²⁸ It is a gross error to view the ERE as a real state of affairs.

²⁶ Ludwig von Mises, *Human Action*, 245.

²⁷ Murray N. Rothbard, *Man, Economy, and State*, 325.

²⁸ J. E. Cairnes, *Character and Logical Method of Political Economy*, iv–v.

Ethics and Morals

A discussion on philosophy will usually require ethics and morals to enter the discussion. The discussion cannot be coherent if a distinction is not drawn between the two. They are very often used as synonyms; they are not. Many philosophers are guilty of this mistake. Very often, morals are used to define ethics and vice versa. They are two separate and distinct words with separate and distinct applications. Failure to distinguish between the two can result in distorting a philosopher's entire argument. An "ethic is necessary, that we may not be torn to pieces."²⁹ I will outline the distinction between the two words clearly.

As mentioned above, ethics can be proven universally. Every individual owns their own body; the individual will need to survive. In order to survive, an individual will have to grapple with nature and use and transform the matter to survive. This does not mean one can transform any matter to survive. One cannot transform or use what has already been put into to use by another. It must then be determined the first user has claimed ownership by "mixing his labour" with nature. The individual now owns their body and what they have mixed their labor with; they have homesteaded nature. Once anything is homesteaded, it becomes the user's property. It is ethical to use your own property how you see fit so long as it does not violate another's property. It is unethical to use another's property against their will. Ethics can correctly be defined as principles conducting your behavior with your own property. Violation of this

²⁹. Friedrich Nietzsche, *Human, All too Human*, (Wildside Press, 1886), 60.

is unethical and an aggression. Aggression is an unwarranted use of another's property. Murray Rothbard has correctly been termed this the axiom of nonaggression or the nonaggression principle (NAP).³⁰ Ethics are universal and are true all around the world and have been true since the beginning of time. Ethics exist so we do not devour ourselves.

Morals are not categorically different. Morals are judgements of good and bad behavior, provided they adhere to ethics. For this, I will provide an example. An individual owns a gun. This gun is his property. Now, he points the gun in a manner to inflict damage. The other individual reacts and subdues the aggressor prior to inflicting any damage. Is this ethical or unethical? After all, the private property of another was used in a manner against their will. At first glance, this may seem unethical. However, a body is private property. The individual was protecting his property. Every individual has the natural right to protect their property from an aggressor:

“Anybody and everybody has a natural right, *as individuals*, to punish other men for their crimes; for everybody has a natural right, not only to defend his own person and property against aggressors.”³¹

In this case, the man with the gun was ready to inflict damage and was the aggressor; he was in violation of the NAP. This action was ethical on the part of the subduer. This may appear to be unethical; another's private property was used against their will. However, that private property was going to be used to damage another's private property. Must the subduer wait until his property is actually violated? Of course not. This would mean waiting until the shot has

³⁰ Murray N. Rothbard.

³¹ Lysander Spooner, *The Lysander Spooner Reader*, (Fox & Wilkes), 32.

been fired. This may very well be too late. When must he attempt to stop the shot from being fired? The individual must reasonably believe he is in danger, or the threat must be clear and present.³²

Morals deal with good and bad behavior. They must adhere to ethics but cannot be proven universally. This can range from holding the door open, help an old lady across the street, etc. This can and does, vary from culture to culture. Morals are human, all-too-human. Ethics are universal, morals are relevant provided the morals adhere to ethics—the NAP. For the purposes of proving the political philosophy, I will use only ethics for justification. Morals cannot be used in this situation.

Method Concluded

This process is essential for philosophy and economics. Using the correct method, not committing errors during deduction, is vital. This may seem like a minor detail, but it is not. Natural law and human action are indispensable to the comprehension of political philosophy. The empirical method cannot be used in the social sciences. This is not about creating illusions but finding the truth. The method set forth is not about having ideas which sound plausible or practical; it is about separating truth from illusion. Although something may sound plausible or practical does not follow that it is. The truth is not determined by popular vote. Ideas taken for granted and

³². “Reasonably” and “clear and present” are open to interpretation on a case by case scenario. There are many factors and all situations cannot be addressed. Each would have to be addressed by a judge or third-party arbitrator well informed about the facts of that particular case.

what is commonly believed may not true. The truth will force you to fight your convictions. As Kierkegaard pointed out, there are two ways to be fooled: “one is to believe what is not true, and the other is to refuse to believe what is true.” Once you allow your mind to be accessible to reason, what is laid out will have to be accepted as truth. “Clearness of ideas is essential to correct thinking. The greatest obstacle to the pursuit of truth lies in the vagueness and confusedness of ideas.”³³

³³. Celestine Bittle, *The Science of Correct Thinking*, (The Bruce Publishing Company, 1935), 72.

Chapter 2



Private Property

It is an apodictic certainty property rights are unlimited. Every man has the right to use his property how he sees fit, so long as he does not aggress against the property rights of others. All rights are property rights. Any discussion involving rights, not reduced to property rights, will be unclear and incomplete. Through deductive logic, all rights will be reduced to property rights. Limiting the use of one's own property rights is aggression. I will address some specific claims below.

A speech threat is speech; it is still a threat against another's property. If the individual feels this is a credible threat—now considers the individual a present danger—this is clearly aggression against another. A threat is a violation of property if the threat poses a clear and present danger. The threat must be a clear and present danger. This is a violation of property rights. I will use another example to emphasize my point—hate speech. Hate speech is not a clear and present danger. A racial or homophobic slur is classified as hate speech but does not pose a clear and present danger to another's property. Obviously, this kind of speech can cause you to lose your

job, get you blackballed, etc., but this is not a violation of another's property. Hate speech is not an ethical violation. Now, to a more complex situation.

Suppose you are in a movie theater. An individual stands up and shouts, "*Fire.*" Clearly, you cannot do this. Does this mean free speech should be limited? If property rights are examined, not vague free speech, this conclusion will be easily come to. The shouter violated the property rights of each individual in the theater. Each individual purchased a ticket to the movie. The shouter prevented each patron from seeing the full movie; this was the violation not the shouting. The movie theater owner's property was violated by creating a disturbance. He will likely have to reimburse the other patrons. Suppose the individual does not shout but stands up and jumps around silently. The individual is still violating the property of others in silence. Free speech does not have to be limited; property rights must be protected. You can say what you want as long as you respect property rights. Viewing rights as anything other than property rights has the potential to confuse the situation and lead to an incorrect conclusion.

We will now examine the situation of taking out a car loan, mortgage, etc. Person *A* takes out a loan from *B* to purchase a good. Person *A* will be in possession of that good. Does Person *A* actually own the good? Person *A* will live in the house, make changes, sell the house for profit, etc. All of this may seem Person *A* owns the good in question, but is this the case? Person *A* has the right to use the property while he is currently making payments. However, if Person *A* fails to pay Person *B* the contracted amount with various contrac-

tual considerations, Person *A* is stealing from Person *B*. Person *B* has the right to repossess his property, in accordance with the stipulation in the contract. It can be said Person *A* has usufruct³⁴ while the payments are being made.³⁵ Person *A* does not own the property but only has usufruct until the good is paid off.

The term usufruct will require further explanation. This term is derived from Roman law which was occasionally applied in separate issues, but I apply it to a modern-day situation. Usufruct gives you the right to use another property for profit, short of destruction. Person *A* is currently using Person *B*'s property, short of destruction, which will vary based on the contract stipulations. Person *A* can make changes, drive, sell for profit, and other activities aside from damage or destruction. Person *A* has possession of *B*'s property. Therefore, Person *A* has usufruct on Person *B*'s property—the owner while the loan has not been completely paid. It is clear Person *B* is the owner of the property, but Person *A* can use the property for profit. Again, this may vary based on the contract. Possession is distinct from property. A thief may have current possession which he has stolen; however, it is not his property. The property title remains with the owner.

³⁴. I am using the word for its descriptive function only. I am not referring to a specific law any place or anytime, but the logic of using another's property for your own benefit. The word is superior in describing the situation to all others. Usufruct is established by a contract, but as I will explain, contracts can be verbal or in writing.

³⁵. Friedrich von Savigny, *Possession; or the Jus Possession of the Civil Law*, (The Law Book Exchange, 2017), 131.

Homesteading

I mentioned a term which may need to be expanded—homesteading. I must first quote a passage from John Locke:

Though the Earth, and all inferior creatures be common to all men, yet every man has a *property* in his own *person*. This nobody has any right to but himself. The *labour* of his body, and the *work* of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his *labour* with, and joined to it something that is his own, and thereby makes it his *property*. It being by him removed from the common state nature placed it in, hath by this *labour* something annexed to it, that excludes the common right of other men. For this *labour* being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good left in common for others.³⁶

I will elucidate this quote before I proceed. He states, “All inferior creatures be common to all men.” This does not mean common ownership of everything. This does mean the humans have

³⁶ John Locke, *The Second Treatise of Government*, ch. 16, #27.

dominion over all nonhuman creatures. They are inferior creatures and common to all men until that creature is taken out of the state of nature and placed under control by the human. The human has homesteaded the animal; for instance, a farmer rearing cattle.

He continues, “Every man has a property in his person... Nobody has any to but himself.” Humans own their own bodies and cannot be owned by another. Our bodies are inalienable. This is John Locke’s most important contribution, “The work of his hands... are properly his.” Every human has property in their labor. A man’s labor is private property. Anything taken out of the state of nature becomes the homesteaders. This includes land, animals, water, air, and even extraterrestrial locations. The human has “removed from the common state of nature” and “mixed his labour” with the state of nature to make it his property. This “excludes the common right of other men.” This is “unquestionable property of the labourer.” Not to be overlooked, I will emphasize, property gives any property owner the right to exclude. In unbelievable succinctness and clarity, Hans-Hermann Hoppe described private property:

Every person, apart from being the sole owner of his physical body, has the right to employ his private property in any way he sees fit so long as in so doing he does not uninvitedly change the physical integrity of another person’s body or property. All interpersonal exchanges and all exchanges of property titles between private owners are to be voluntary (contractual). These rights of a person are absolute. Any person’s infringe-

ment on them is subject to lawful prosecution by the victim of this infringement or his agent and is actionable in accordance with the principles of the proportionality of punishment and of strict liability.³⁷

³⁷. Hans-Hermann Hoppe, *Democracy: The God That Failed, The Economics and Politics of Monarchy, Democracy, and Natural Order*, 130–131.

Chapter 3



Crusoe Economics

Imaginary constructions are an indispensable tool for analyzing economics. It has already been discussed how economic laws are discovered. Now, I will isolate a single actor in an economy. This example has been used by all good economists—the imaginary construction is Crusoe economics. This is a construction of a man face-to-face with nature. Then, I will introduce another and proceed with the introduction of new characters. On an island, with a few people interacting, will provide truths about interpersonal exchange.

Robinson Crusoe is involved in a shipwreck and swims ashore to an island. He does not have anyone to rely on, no goods for nourishment. He just has his body. It is irrelevant whether he knows everything or nothing; he still must proceed in the same manner. He needs food and water to survive but lacks the natural weapons. However, he is equipped with an extremely specialized tool—reason. He must use his reason to decide what is most important at that very moment and create a value scale adapted to him. He may also decide a good is very important at a later date; however, it is available now but will not be later. How must he proceed for survival?

Crusoe has desires he will need to satisfy. He may begin by picking berries for nourishment. This requires very little labor and near immediate satisfaction—pick the berry and consume. In this case, the structure of production is very short.³⁸ Few goods provide near-immediate satisfaction like the berries to Crusoe. He is not adding anything to nature. He has not created the capital goods required to improve production. Crusoe did provide near-immediate nourishment with the berries, but he will need something more substantial, and he may run out of berries. He must act differently in order to survive. However, his labor is scarce; he must decide what he values most before he proceeds. Crusoe not only has to decide what he values, but he must also know how to achieve the goal. If he does not know how to achieve his goals, he will waste his labor and quickly die.

Crusoe decides he needs something more than berries. He wants shelter but needs the energy to build the shelter. He decides fishing is the most important task. How does Crusoe fish? He does not have any equipment. A net will be an efficient way to fish, but he must conserve his labor; a net may take too long. He will become weaker and weaker until he no longer has the energy to fish. This is not an ideal situation, but he does not have any other options. He knows he must fish with his hands. This is the only way at the moment. Crusoe can only catch one fish per day with his hands but also eats one fish per day. There are many other goals he wants to accomplish, but he needs the fish to survive. Crusoe realizes he cannot eat every fish he catches right away. In order to move to his next value, he must save.

³⁸ Richard von Strigl, *Capital & Production*, (Ludwig von Mises Institute, 2000), 1–35.

He cuts down on his consumption and now eats one fish every two days. This will provide him the saving required to build a shelter. The capital saved up will allow him to satisfy his most immediate values.

Crusoe has realized the saving allowed him to engage in other activities. He has a shelter now but is still fishing with his hands. Crusoe realizes he must increase his fish production to engage in other activities. In order to do this, he must engage in a more round-about method of production.³⁹ A net still is not practical. He does not have the required fish saved up. However, he does have enough saving to fashion a hook to a string. Crusoe anticipates this will double his fish production. The extra fish production will allow him to build a cot, even begin working on a net. After a few days, Crusoe has completed his cot and is working on a net. He anticipates the net will allow him to catch five fish a day. This is his top priority; it provides him with enough savings to complete many other tasks.

One day, while Crusoe is working on his net, he sees another person swim ashore. Crusoe approaches and introduces himself. The second person, Friday, is now stranded on the island with Crusoe. Now, Friday must grapple with nature for survival. Crusoe and Friday may interact, but they will have to establish rules of conduct between the two. Or as Hobbes says, it will be “war of all against all.”⁴⁰ Crusoe and Friday will just kill each other. Obviously, this is not true. If it was, mankind never would have moved beyond one person, at most, one family. Crusoe realizes they can be beneficial to each other. Crusoe lets Friday know the island is full of berries,

³⁹. Eugen von Böhm-Bawerk, *The Positive Theory of Capital* (G.E. Stechert & Co.), 190.

⁴⁰. Thomas Hobbes, *Leviathan*, (A Public Domain Book, 1651), ch. XIII.

so Crusoe will loan Friday a fish to collect all the berries around the island; however, Friday must repay Crusoe with a sack of berries.⁴¹ Crusoe is charging Friday interest in a very primitive way. The berries are more valuable to Crusoe than the fish he will give up, and the fish is more valuable to Friday than the berries he will give up. Otherwise, the exchange never would have happened. Friday would have told Crusoe he would just pick the berries without the fish. In a modern way, Friday decided not to take out a loan. Crusoe is giving up a current good for a future good. This is Crusoe's time preference. He will give one fish for a sack of berries but not two. Crusoe would view two fish as unbeneficial or a loss.

It is the end of the day. Now, the two must lie down and go to sleep. There is only one cot. This is the first time a dispute over property has arisen. Crusoe refuses Friday's use of the cot. Friday protests; he tells Crusoe he had a tough day and needs quality rest. Crusoe remembers his first day on the island and does feel sympathy for Friday, but this is clearly Crusoe's property. All humans have property in their labor. He can let Friday use the cot out of kindness, charge him berries, or not let him use it at all. Crusoe needs rest too and chooses not to let Friday sleep on the cot. Friday may not be happy about this, but the decision is only Crusoe's. Property conflicts can only exist with at least two parties. Conflicts cannot exist with goods in superabundance; for instance, air under normal circumstances. The individual which gets use of the cot was decided by natural law but could have easily gone another way if natural law was subverted.

⁴¹ This is not an exact unit of measurement. The purpose is to show the loan must be repaid with interest.

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In another scenario, it is time to sleep. Crusoe and Friday each want to use the cot, but only one can. In fact, only Crusoe has a legitimate claim to the cot. It is clear Crusoe homesteaded this cot. Friday knows this but refuses. Crusoe lets Friday know he understands how tired he is. Crusoe can even tell him he does not care, it is Crusoe's cot. Friday is bigger than Crusoe. He physically keeps him from using his own cot. Now, this is an aggression against Crusoe, the first on the island. This was not decided by natural law but positive law made by Friday. This will be explored below. I will use the former scenario to continue to explain economics with the story of Crusoe.

Friday is now collecting berries. This gives Crusoe enough time to finish the net. The fish production will increase to five a day. Crusoe can now loan Friday fish to create his own cot. Crusoe has fish, shelter, a cot, berries, and a loan out for Friday to build a cot. Crusoe can move to his next goal; he wants to fashion a device for reaching coconuts high in the trees which are currently unattainable. It is clear, Crusoe and Friday are essential to each other's production. Each person's labor is beneficial to the other. Crusoe and Friday have been able to accomplish more with each other. Obviously, two people have an easier time surviving on an island than one. Crusoe is skilled at fishing; Friday is skilled at collecting eatable fruits and vegetables. In order to grow the construction and demonstrate how an economy works, a third person will have to be introduced to the island. I will call this third person John.

Crusoe and Friday each have tasks: fishing and gathering fruits and vegetables. John will have to interact with Crusoe and Friday to figure out what is most needed. Each cannot live in self-suffi-

ciency. Life will be “nasty, brutish, and short.”⁴² John will have to hunt. Although Crusoe and Friday have been stranded longer, they may be better hunters, but they are much more productive at other tasks. We know from David Ricardo production will be increased if each nation does what they are comparatively good at, but Ludwig von Mises applied this to interpersonal exchange and explained they do not have to be in different countries to have a comparative advantage.⁴³ Each has a task which will increase the standard of living. Crusoe wants a break from fish; he has been eating this for quite a while. However, John does not want fish. Crusoe cannot trade his fish for a chicken. We have encountered a serious barrier to growth in a barter economy. Each party must want what the other has, or there must be a double coincidence of wants. What is Crusoe to do? He is faced with a few options: he can hunt a chicken, take a chicken from John, or Crusoe can trade with Friday, not to consume the berries but to use the berries to trade with John for chicken.

Crusoe’s third option was a stroke of genius. The first option will drastically reduce his fish production; the second will expend labor. John may never deal with Crusoe again; Friday may not deal with Crusoe either. One must maintain the discipline of constant dealings in order to keep an economy running smoothly. In the short term, this may satisfy Crusoe’s hunger for chicken but prevent him from ever getting chicken, maybe berries, again. The third option was not obvious nor easy to come about. Crusoe solved the double coincidences of wants issue. Berries have essentially become money on this island. The berries are demanded, not for consumption but

⁴². Thomas Hobbes, *Leviathan*, (A Public Domain Book, 1651), ch. XIII.

⁴³. Ludwig von Mises, *Human Action*, 90.

for trade. The island can have many more inhabitants with each specializing in a trade, engaging in roundabout methods of production, while berries are operating as a money. This is not to say berries will always be the money. After all, berries can quickly spoil. Berries may be replaced by another commodity which is superior for the use of money.

This is how money emerged, not this exact way, but money emerged as a useful commodity. Regression theorem proves this is how money emerged.⁴⁴ Money is accepted because it had value yesterday. It was accepted yesterday because it had value the day before. This can be regressed back to the very first day there was an indirect exchange. The commodity was accepted because it had value the day before in the barter economy. Therefore, money emerged as a useful commodity. Various goods have served as money over the millenniums: salt, seashells, tobacco, wheat, cattle, and even cigarettes in prisoners of war camps during WWII.⁴⁵ One commodity has outperformed all others—gold. Silver and copper have also been used, but gold has been used most often throughout history. There are specific qualities which make certain commodities better for the use of money than others: value, high value to weight ratio, scarce, easily recognizable, durable, divisible, and fungible. Many commodities have some of these qualities, but gold has all of them which is why it has been chosen as money for so long. Money never could have emerged from a social contract. Imagine Crusoe, Friday, and John getting together

⁴⁴. Ludwig von Mises, *The Theory of Money and Credit*, (Skyhorse Publishing, 2013), ch. 2.

⁴⁵. Murray N. Rothbard, *The Case Against the Fed*, (Ludwig von Mises Institute, 2007), 12–17.

and deciding this. They all agree Crusoe should produce the money. They agree sand should be the currency. But the island is full of sand. They agree only a limited quantity would be used. Right away, the reader can see this is absurd. The sand is not valuable; it will not help them survive on the island. It is only a matter of time before one sneaks off to add sand to his own balance. Harming the other two at one's benefit. This is a waste of resources; taking time and expending energy, sneaking off to add sand to your balance is an aggression against the other two. It is clear, money could not have emerged any other way than a valuable commodity.

Aggression

The situation has been nonaggressive thus far. Crusoe swims ashore to an island. Based on his lack of savings, he will have to catch fish with his hands until enough capital is available for him to engage in a roundabout method of production or produce any capital goods. However, the question of property does not arise until a second person is present. This is when Friday arrives on the island, but this time, Friday is not concerned about how they can be mutually beneficial but live off the fruits of Crusoe labor.

Crusoe sees Friday and offers a loan of one fish to collect berries, but he must pay back the loan with one sack of berries. Friday accepts the offer and collects the berries from the island. Crusoe has not been paid back and decides to confront Friday. Crusoe demands payment for the loan since Friday agreed to accept one fish at that time for a sack of berries given up in the future. The loan has come due, and Friday tells Crusoe even though he has enough berries to pay back the

loan he will not. Friday is bigger and sturdier than Crusoe, so he does not have any immediate options. Crusoe and Friday had a verbal contract. Friday did not adhere to the exchange of property. This is theft; Crusoe was robbed by Friday. This will inhibit capital accumulation.

The sun is falling, and it is time to rest. However, there is one cot which clearly belongs to Crusoe. Crusoe was upset about Friday refusing to pay back the loan, so he refuses to let Friday sleep on the cot. Friday does not approve of Crusoe using his property how he sees fit. Being the larger man, Friday forcibly takes the cot from Crusoe and makes him sleep on the ground. The next day arrives, and Crusoe did not sleep well. He wants to produce the net so he can begin producing other items like make another cot, since his was taken from him by Friday. Crusoe just has a string with a hook, no net. Capital accumulation will take much longer.

Crusoe is busy fishing, trying to make up for his losses. Then, he is approached by Friday. Friday tells Crusoe for every two fish he catches, he gets one. Friday prefers leisure to labor, as all do. He is placing the burden of survival on Crusoe. Crusoe has already been robbed of a fish and cot. Now, he is being robbed in perpetuity. Crusoe figures it will take twice as long to produce the net. Even when he does, half of his fish will go to Friday. Friday is a parasite, and Crusoe is the host. It is blatantly obvious capital accumulation will take much longer when there is a parasite to take care of as well. This cannot be denied.

John arrives on the island. Friday decides to treat them equally, but with two people as hosts, he can decrease the perpetuity of theft. Friday tells Crusoe and John they only must give him a quarter of what they produce. John sees this as aggression. He is struggling to

stay alive and now must give a portion of what he produces to Friday. Crusoe sees his arrival as a benefit, not to intensify the division of labor, but his arrival reduces the burden Friday is placing on him. The larger the host is, the more nourishment the parasite receives with less harm. Friday is now in a wonderful position. He is living off those who produce, and even the anger of Crusoe has been reduced. He may even view Friday as nice, somewhat of a Stockholm syndrome.

Crusoe and John know they are giving produce to Friday for nothing. Friday likes his situation, so he must keep the position he is in. Friday believes Crusoe and John have will do away with him. He contemplates the situation and finally has an idea. Friday tells Crusoe and John he will protect them if any others come on the island. Crusoe and John do not believe this—they are stranded on an island—but Friday is the largest of the three and might be the best for this role, however unnecessary it may be. Crusoe and John go along with the claim since they are already being robbed. Besides, what is he protecting them from? Friday senses his lie is not working on the other two. He must enhance his lie.

Friday has a big break. He discovers a primitive tribe on the other side of the island. He monitors the tribe for a few days and believes he can conquer them, but only with the help of Crusoe and John. Friday approaches Crusoe and John. He notifies them there is a tribe on the other side of the island, and they are planning an attack on them. They will have to attack the tribe preemptively. Crusoe and John are reluctant, but Friday promises them if they help with the attack, they can then take a portion of the tribes produce. Crusoe and John have been working extra hard for survival. This tribe is large. They would like to be the benefactors of stolen goods, so they

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agree. They all get together and plan an attack on the tribe. In the early morning, they attack the tribe while they are sleeping. Crusoe, Friday, and John have conquered the tribe and tell the same story Friday told Crusoe and John. There are many more people, so the amount they have to steal is far less than when Friday was stealing from two. The three are splitting the loot and are now living comfortable lives off the tribe.

The tribe is not accepting the lie of protection. The tribe will overthrow them soon, the other three know this, so they must come up with something before that happens. They know they cannot use force forever. The tribe will throw off the conquerors soon. Crusoe and company see there is a spiritual leader in the tribe. The tribe looks to the spiritual leader for guidance, and he is viewed as the wisest man within the tribe. They know molding an alliance with the spiritual leader is the best chance of keeping the tribe in subjection. They talk to him, trying to convince him the robbing of the tribe is beneficial. He is aware this is a lie, after all, nobody is foolish enough to believe this. He will not believe this lie, so Crusoe and company know they have to offer him some stolen goods to win him over. They offer the spiritual leader something he could not refuse. Not that it was too good to refuse, but it was in the form of blackmail. They essentially said, "If you join our team, we will cut you in on the loot, if not, you and your family will be the first to die in the event of a rebellion." The deal has been done; the alliance is molded. The spiritual leader will now convince the tribe their occupation is beneficial. He is not just a spiritual leader, he is also the wise man, and his ideas get issued to the tribe.

Crusoe and company must come up with a name to describe themselves. They cannot be honest about what they do. It will be much easier to lie to the tribes they conquer if they redefine words. They cannot call themselves a gang, robbers, or organized criminals. This is too obvious, even the spiritual leader will not be able to convince the tribe their rule beneficial. They finally come up with a word to describe themselves. They call themselves the “state.” States throughout history owe their existence to conquest.^{46, 47, 48} States claim it would be “war of all against all” without their presence.⁴⁹ It is abundantly clear, if there is not a voluntary society, there is a coercive society. In the former, we are all free. In the latter, few are masters, and most are slaves. This will differ in degree from state to state but not in kind.

Crusoe economics has described life with an individual man and with two more introduced. More can be introduced until we have a modern economy. This will help with the understanding of more complex issues. The issues in a complex modern society can be deduced to Crusoe on his island. This thought experiment is invaluable to understanding economics.

Contracts

It was mentioned about how Crusoe solved the problem of double coincidence of wants. It is important to examine what he actually did. Crusoe traded his fish for berries, but he did much more

^{46.} Franz Oppenheimer, *The State*, (Fox & Wilkes, 1997).

^{47.} Otto Gierke, *Political Theories of the Middle Age*, (Beacon Paperback, 1958), 40.

^{48.} Ludwig von Mises, *Socialism: An Economic and Sociological Analysis*, (Ludwig von Mises Institute, 2009), 44.

^{49.} Thomas Hobbes, *Leviathan*, (A Public Domain Book, 1651), ch. XIII.

than a mere trade of fish for berries. Crusoe traded his ownership of the fish for Friday's ownership of the berries.^{50, 51} Property was exchanged, this could be immediate or in the future, but property is always exchanged in a contract. The contract involved Crusoe's ownership for Friday's ownership. You cannot contractually change ownership of a good you do not own. Friday would not have been able to contract this exchange without Crusoe agreeing, that would be an aggression. A contract will always be a voluntary transaction.

The exchange with Crusoe and Friday took place verbally. Contracts can be verbal or in writing. Generally, the more complex the exchange, the exchangers may want this in writing. An individual can buy a shirt; the seller agrees to transfer ownership for a price; both parties contractually agree to transfer ownership. An individual is required to hire a lawyer based on the complexities of the task. The individual requires the lawyer to complete several tasks. Of course, the tasks are completed for a price. A contract will be written to stipulate what is to be done for what price. If a party does not adhere to the contract, verbally or in writing, this is a breach of contract.

An individual is in the market to buy a car, however, is required to take a loan. Bank ABC provides the loan to purchase the car. The individual—we will call him Smith—uses the funds to purchase a car but loses his job two months later. Smith is no longer able to make payments on the loan and defaults. The future is uncertain, Bank ABC will charge a premium for this risk. Bank ABC will stipulate collateral for this loan, usually the car. Then, Bank ABC will warn other banks he is a high risk. In other words, the bank will put the information on

^{50.} Murray N. Rothbard, *The Ethics of Liberty*, ch. 19.

^{51.} Murray N. Rothbard, *Man, Economy, and State*, 189.

his credit report. In the same example, Smith receives a car loan from Bank ABC but does not buy a car and runs off with the money. Bank ABC would stipulate in the contract the funds are to be used for a vehicle purchase. Smith is in breach of contract; he has stolen money from Bank ABC. Not only would the bank label him as a credit risk, but he is also legally liable for the stolen goods plus damages.

Contracts and promises must be defined and clearly separated. Any contract must involve a transfer of property. If property is not transferred, it is not a contract. A promise is not and cannot be a contract. It may be often said, “promise to pay,” but this is vague at best. Parents can promise to pay for their child’s college. The time arises, the parents cannot or will not pay; the reason is not important. The child did not transfer property; the parents did not in breach of contract. They did not keep their promise but did not do anything illegal. The “promise to pay” can also be used in a different context. A company provides a service based on the customer’s promise to pay, yet this is categorically different from the example just given. In this case, property was transferred, the company provided a service. As shown above, we do have property in our labor. Although the promise may be used to refer to a contract, it must be made clear. Contracts involve transfer of property, now or in the future. Promises do not involve a transfer of property and cannot be legally enforceable. Now, failure to keep promises may be immoral. It must be clear, I am not discussing the morality of the issue.

Chapter 4



Establishing Property

The establishment of property is the same at any time and any place. The first user homesteads the property he transforms and puts to use. This property is now his and his alone. The property cannot be used by another without violating the NAP. The property can change hands voluntarily, that is exchange or gift. As you will see, you can homestead land and animals, so long as the species cannot engage in propositional exchange. It is important the reader always keep in mind the difference between ethics/legality and morals. Just because an act doesn't violate ethics does not mean it is moral.

Animals

The claim is too often made that animals have rights. This is pure emotion. People have very strong feelings toward their pet, especially dogs—man's best friends. People do have strong feelings toward pets. They are even considered part of the family. Do animals have rights? Surely, only a monster could hurt a helpless dog. If rights

are extended to dogs, they would have to be extended to roaches, spiders, and all living things. This would then include bacteria and even plants. Are humans not to move and crush microscopic bacteria? Are humans not to cut their grass? Since all goods are transformed matter and some living organism was harmed in the process, mankind would die out immediately. The logic of animal rights cannot be extended to every living organism. What about animals but not plants? The question must be asked, do all animals respect other animal's rights? Does the lion respect the zebra's rights? Do we call the lion an aggressor against the innocent zebra?

The problem with extending rights to animals is they do not extend rights to other animals. They do what is in their nature to survive. The lion needed to eat, so she hunted a zebra. If the zebra escapes, the lion may be too weak to continue hunting and starve to death. At this point, the reader should concede the lion did not aggress against the zebra. However, a human hunting a lion is a violation of rights. They should be punished, right? Not necessarily. Who owns the lion? If the lion is unowned, will the lion's kin sue the hunter? This will involve a lion taking a human to court. This is absurd. If a lion is hungry, and all that is in sight is a human, the lion will eat the human. In order to extend rights to animals, the animal must agree to respect human rights. Again, an animal agreeing to respect our rights is absurd. They are incapable of speaking, therefore, engaging in propositional exchange. Until nonhuman animals agree to respect human rights, each human has dominion over nonhumans.

It has been praxeologically proven we cannot extend rights to nonhuman, but we must not make an exception for dogs. This is about ethics not morals. The author agrees, you must be a monster

to hurt a dog. Why make an exception for dogs? Let's assume no ownership was violated in harming a dog. Businesses can then refuse to do business with him. Various animal rights organization can run a public relations campaign against him. (Although animals do not have rights, this will not prevent organizations arising to protect the welfare of animals.) This can include non-dogs as well. The free market will protect animals as well, if not better than they currently are protected.

Air

I have described how land becomes property. The act of mixing your labor, homesteading, or the first user becomes the owner. The exact same criteria can be applied to air. This may seem unrealistic at first. Suppose a factory homesteads air by emitting pollution. Is it determined by another how much pollution is acceptable? If it is, how would they decide this? Do they somehow know the optimal level of pollution?

We will presume a factory opens during the industrial revolution. This factory produces widgets which emits pollution during production. The amount of pollution will be based on property. The pollution may damage a nearby farmer's crops. The farmer's property was damaged in this case. The farmer can take out an injunction against the factory owner. Under natural law, the court will order the factory to pay damages and cease all future damage. Or the factory owner can choose to pay the farmer to keep polluting. This may cause the factory to invest in various antipollution measures. The decision will be based on the cost of each, most likely, whichever is

cheaper. The optimal level of pollution will be based on natural law, not an omniscient being. One might say this will prevent industrialization. This may slow down industrialization; it will not prevent it. Most importantly, it will protect private property. This will ensure industrialization does not come at the cost of harming lungs, crops, the environment, etc. Natural law will allow industrialization, free from aggression, while simultaneously protecting the environment.

Now, we will use a more modern example. We will now presume a radio signal has been homesteaded on a certain frequency. We cannot see air has been homesteaded with a radio frequency like we can when a farmer homesteads land. If a certain frequency is homesteaded, that radio company will know if another radio signal is interfering by the fact that it will disrupt their signal and distort what is being sent on that frequency. The second comer will have to use another frequency which does not interfere. The signal is invisible. What if it goes through property—a house? This can have multiple factors. Does the frequency interfere with any items in that household? Does the frequency cause health-related issues? Which was there first? It is these questions which would have to be answered. If the frequency interferes with another's property in the slightest, the first user—the radio company—would be required to pay damages and use another frequency which does not interfere with a first user's property. If the radio signal was there first, the homeowner acquired "dirty" land; therefore, the radio station owner has an easement.⁵² However, if the frequency does not interfere in any way with their property, it is not aggression.

⁵² Murray N. Rothbard, *The Ethics of Liberty*, 133–147.

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Natural law does not prevent the progression of technology. The adherence to natural law will increase research and development in pollution-preventing equipment. Each company has the incentive not to pollute, the fact that they will be ordered to pay damages. After one company is ordered to pay damages, it is very likely future companies will invest in pollution-preventing equipment prior to production so they do not suffer the same consequences. Natural law provides a legal system which prevents coercion and provides recourse for those who have been aggressed against.

Water

It should be evident how water is homesteaded. Obviously, the oceans are extremely large. I will first discuss small waterways then proceed to larger waterways such as oceans. I will provide an example of dumping sewage into the water. Which is frequently used as an example of why it should be public property. It must be decided, who owns what?

The sewage company must dispose of the waste they have collected. They have gone over various options, and they believe dumping the waste in the local river will be the cheapest. Who owns the river? If the river is owned, the river owner will take out an injunction. The sewage company will be ordered to pay damages and cease all dumping operations or pay the river owner to continue dumping. If the river is unowned, the sewage company homesteaded the water.

This may seem like an awful situation. I will walk through this. The waste may continue to be dumped in the water; however, water flows. This waste dumped into unowned water may flow into

another's property. This could take the form of the waste flowing to a waterfront property where the owners of that property swim. Actually, swim or not, the sewage is damaging the property. Sewage can cause serious health issues. The damages would be incredibly high. Suppose it flows into fishing waters. The fisherman's income has been wiped out. Again, damages would be incredibly high. Lastly, suppose the smell bothers the surrounding people. Smell is a form of air pollution. The smell is aggression against property—the body. Now, a class action lawsuit can be filed against the sewage company. This may be so costly the sewage company will go bankrupt. Obviously, dumping sewage is not the cheapest method for disposing of sewage. I am sure right now the reader is thinking about how this happened in the past. Well, it did happen in the past, but it was mainly municipal sewage being dumped into municipal water.⁵³ When a private company did dump sewage, it was in “unowned” water. This did not occur under private property.

The sewage company dumping waste into the water is very unlikely, if not zero, under natural law. The consequences are too high. It is possible it may be tried by one company, but after others see how destructive this will be to their sewage company, it will not be attempted again. A sewage company can dump waste in the middle of the ocean. This will avoid property damage, injunctions, and lawsuits that will follow. This is very unlikely to occur though. This will be very expensive. This will require ocean liners, crews trained to operate these ships, and the crew trained to dispose of the waste. It is unlikely a company dumping waste in water will be worried

⁵³ Murray N. Rothbard, *The Ethics of Liberty*.

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about safety precautions for personnel, so we can rule out the cost of hazardous material safety equipment. However, this is still far too expensive. It will be much cheaper to dispose of the waste on land which will not harm another's property which will spur research and development for waste removal.

The ABC shipping company travels across the ocean. The trip is made once a week, departure and return. The shipping company takes this route every week for a year. Then, an oil company starts building a rig in the middle of the shipping lane. The ABC shipping company homesteaded this shipping lane. Using another shipping lane will be costlier and time-consuming. The oil company will have to cease building the rig immediately and pay damages for the income lost and the costs incurred. The rig will have to be built in another location which does not interfere with a previously homesteaded location in the ocean. Let's say the shipping lane is directly over an abundance of oil, and the company must build the rig in this location. The oil company will have to buy or rent this area from the shipping company. The shipping company will only part ways with this area if the price exceeds the cost the shipping company will incur in the future.

A fisherman can homestead a fishing area which is why a fisherman can sue a company dumping sewage. He can fence off certain areas in a body of water, farming fish. This can be a physical fence or an electronic fence which will alert the owner when others are in the water or trespassing in the water. It has been stated farm-raised fish do not have the essential fatty acids wild-caught fish do. This may be true in some cases. I am not qualified to address the veracity of this claim. I will address this claim from a natural law perspective.

Suppose this is true. The fish farmer will see his sales fall due to the lack of essential fatty acids. This loss of income will result in the fish farmer adjusting their diet, so they have the same fatty acids as wild caught fish. If the farmer decides not to, the balance sheet will continue to shrink until he goes out of business. The farm will then be sold to a more efficient owner, one who will adjust their diet to produce more essential fatty acids in his product. The fish will then be as healthy as wild-caught fish in more abundance. With all other things equal, this will reduce the cost. The shifting of owners is a never-ending process, always tending toward equilibrium.

Water can be homesteaded as land and air. This is not difficult; it just has not been put into practice. We are in a state of unowned bodies of water, licensed air, quasi-ownership of land, and the state telling you what portion of your income you are allowed to keep. If put into practice, ownership in water, air, land, and income will satisfy consumers, encourage stable growth (inflation will be discussed later) while protecting property.

Space

The concept of moving into space, off the Earth, is relatively new. Various satellites and space stations are put into orbit. The idea of colonizing Mars has also been discussed. I have my doubts about this, mainly the capital for such ventures, but I will discuss homesteading space for the moment. First, orbiting the Earth, then, colonizing Mars. I will leave out the details of how the money is acquired for these ventures which not paid for with private money; they are

paid for with money forcibly taken from private individuals—coercion. I will address the theft of money more below.

Ruritania puts a space station into orbit.⁵⁴ Ruritania homesteaded the path it moves around the Earth. If Waldavia places a satellite in the same orbit which causes a collision, Waldavia is responsible for the collision, provided Ruritania was in the orbit which they homesteaded. Waldavia did not place it in the same orbit as Ruritania, but the satellite is deteriorating and falling out of orbit. As this continues, debris and eventually the satellite will fall to Earth. The satellite may fall into an unowned location in the Pacific. For example, the satellite is causing damage to a previously-owned piece of property. It is clear who is responsible—Waldavia. Waldavia damaged another's property.

Mars

The scenarios above have and will continue to happen. Mars is untouched apart from rovers and associated equipment. Mars will have to operate under natural law, the first user principle. However, Mars has only been explored by states using capital which has been forcibly removed from the rightful owners. A company may one day find it profitable on Mars which will begin private colonization. Mars has already begun using positive law; they have gotten off on the wrong foot. While the masses could use more goods and more savings, it is stolen to fund projects such as this. If the money were not stolen, would it go to colonizing Mars? It could, but I seriously

⁵⁴. Ludwig von Mises uses the fictional countries of Ruritania and Waldavia to remove all emotional connotations.

doubt it. The free market will decide what is most urgently needed—goods, services, savings, investments. It is unlikely colonizing Mars is on anyone's value scale. A few individuals may think about this, but private money would not be used to fund these projects. Even the wealthiest seek preferential policies (quasi-monopolies) and/or subsidies. This may change in the future, but only if people understand, follow natural law, and accept the truth which also means following the free market or pure capitalism.

Chapter 5



Value and Utility

In order to improve one's standard of living—quality of life, remove a felt uneasiness—capital must be accumulated; to speed this process up, there must be division of labor. There are aspects of exchange that often go overlooked. After all, you are exchanging ownership rights to a specific piece of property. Why would one agree to exchange the property one owns? Is there an objective measurement of usefulness? Are goods worth the same amount at all times, regardless of how much of that good one owns or is available? It is these questions which will be answered and are essential for an understanding of exchange.

Subjective Value

All goods have a relation to the individual which demands them. “They should also ask whether either one of these is appropriate to the qualities or actions of the mind, which are judgment, reasoning,

love, hatred, desire, joy, and sorrow.”⁵⁵ There are varying degrees of value—which cannot be measured—to each individual. Each individual can and will have different values at different locations and times. This is a highly important concept which must be grasped in order to understand why certain goods are exchanged. It is beyond dispute, when goods are exchanged, the actors have opposite valuations of the goods being exchanged. If they did not, the exchange would never take place.

An inveterate fallacy asserted that things and services exchanged are of equal value. Value was considered as objective, as an intrinsic quality inherent in things and not merely as the expression of various people’s eagerness to acquire them. People, it was assumed, first established the magnitude of value proper to goods and services by an act of measurement and then proceeded to barter them against quantities of goods and services of the same amount of value. This fallacy frustrated Aristotle’s approach to economic problems and, for almost two thousand years, the reasoning of all those for whom Aristotle’s opinions were authoritative. It seriously vitiated the marvelous achievements of the classical economists and rendered the writings of their epigones,

⁵⁵. Francis Hutcheson, *Logic, Metaphysics, and the Natural Sociability of Mankind*, (Liberty Fund), 86.

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especially those of Marx and the Marxian school, entirely futile.⁵⁶

For example, a man has a well next to his house. He uses and drinks plenty of water. He frequently washes his car, does laundry, showers, flushes the toilet, and uses water during cooking, all while staying hydrated. Another man is in the desert with no oasis in sight. He has not had water for a couple of days but finally stumbles across a small amount of water. These are clearly two different situations. Each does have different values for water, but why?

There is—logically, epistemologically, psychologically, and praxeologically—only one pattern of valuation.⁵⁷ There are differing levels of usefulness to the individual. The water is useful in satisfying their values.⁵⁸ The good is not different, both taste and look the same, even have the same molecular structure. In the first case, the individual had a plentiful supply of water. Had his well produced less water than usual, he would likely not wash his car to preserve the water for hydration, showering, and using the toilet—tasks higher on his value scale. In the second case, the individual demanded water to sustain life. He was not the least bit worried about how his clothes were covered in sweat and sand all while he had been wearing them for a few days.

The water has a different value in each case. We will say, the man in the desert comes across a water stand in a village. He notices the water is quite a bit more expensive than it is in the city. In the

⁵⁶ Ludwig von Mises, *Human Action*, 204–205.

⁵⁷ Ludwig von Mises, *Human Action*, 205.

⁵⁸ Eugen von Böhm-Bawerk, *The Positive Theory of Capital*, ch. 2.

city, there is plenty of water, some places have wells and springs which water is an extremely low cost. However, water in the desert is very expensive. Why is there such a discrepancy in price between the two locations? The water is extremely scarce in the desert. The owner of the water stand might be exploring other oases to increase the water supply. Is it coercion water is more expensive in one place than another? At least one eminent “laissez-faire” economist believes so.⁵⁹ For example, the water stand seller charges the same price of water regardless of the supply. This is wonderful! Each family in the village can now purchase enough water for the entire family twice over. This may sound wonderful, but it is actually horrendous and even deadly in this case. At a high price, each family can afford to purchase one jug of water. This is barely enough water to sustain life, but it manages to do so. At a low price, the first family can purchase all the water, fully hydrating everyone in the family; however, the rest of the village does not have any water remaining. The rest of the village is left to die by dehydration. This “coercion” served a very important function. It served as a ration—not in the governmental sense—to provide water to the entire village.⁶⁰ There are varying degrees of value, prices reflect those values. To reject a high price of water in the desert is to reject the entire price system which signifies one rejects the market itself.

Subjective value is fundamental to praxeology. Subjective value is, therefore, an apodictic certainty. All values are determined by the actor and only the actor, not society nor the input labor. There would

⁵⁹. F.A. Hayek, *The Constitution of Liberty*, (The University of Chicago Press, 2011), ch. 23.

⁶⁰. Coercion is a reference to F.A. Hayek in pervious citation.

not be exchange if there was not subjective value. All exchange would cease, we would all live in isolation, and there would be a ceaseless war of all against all. In this respect, Friedrich Hayek and Thomas Hobbes must be placed in the same category—the category of those rejecting the free market as a practical matter. Value is only utility to the individual, and utility can be physical or psychic. Life with state controls is nasty, brutish, and short.

All goods have utility; however, not all goods have value.⁶¹ A scarcity of a good must exist for a value to emerge. Oxygen, under normal circumstances, is not scarce, therefore, not an economic good. Oxygen under water or in outer space is a different good from oxygen on land at sea level. The former is subject to scarcity, the latter is not. The former is an economic good, the latter is not. In each case, the oxygen is useful but is only subject to scarcity in abnormal conditions. It must then be stated each unit of the exact same good—all other things equal—will be of less value than the previous.

Marginal Utility

The last sentence may need some explaining. Value and usefulness are clear in the case of water, but it may not be obvious in all cases. We will look at the case of money. The actor is attempting to satisfy other's desires to add to his own cash balance. He is successful, so his first want will be satisfied, or what is highest on his value scale. He satisfies his basic needs of life: food, water, and shelter. The food is tuna, and the shelter is an efficiency apartment. As he continues

⁶¹. Eugen von Böhm-Bawerk, *The Positive Theory of Capital*, 135.

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to satisfy the needs of the masses, he continues to add to his cash balance. A decade passes by, and the food is filet mignon, and the shelter is a mansion. His food and shelter have changed over time. He may have been able to afford filet mignon early on but would not have been able to accomplish his other goals, mainly, reinvest money into his business which will allow him—in the future—to eat filet mignon and still accomplish his other goals. His value scale may look something like this:

<i>Year 1</i>	<i>Year 5</i>	<i>Year 10</i>
water	water	water
tuna	turkey	filet mignon
studio	house	mansion
business	business	business

His values have changed from year to year.⁶² If he has the same values in year 1 as in year 10, if he has a high time preference, the business would not thrive or go bankrupt. He would never achieve his goals, maybe never move out of the efficiency apartment. He accumulated capital which allowed him to adjust values. Similarly, a third-world country cannot be fully developed without first accumulating capital. Just as Mises has pointed out, it is not the know-how, but the lack of capital.

I will not discuss the fact that property would have to be forcibly taken from one and given to the other to make the transfer. I will

⁶² The value scale may not look like this one. The years and values may differ. Actually, it may be entirely different from the one listed here. This is simply a hypothetical value scale.

only view the aspect of marginal utility. If marginal utility is correct, the rich man will value his money less than the poor man. Will the money be of greater utility to the poor man than the rich man? No, this is a clear and unambiguous error. Utility only applies to the individual. There is no objective measurement of utility or “utils” as it has been called. Neither values nor utility can be measured between individuals.⁶³ By this logic, the rich man may invest in businesses which improve mankind, and the poor man may buy drugs and alcohol; therefore, this would justify transfer payments from the poor to the rich. We can now see the absurdity in the logic. Values and utility cannot ever be measured then compared between multiple actors. This represents a serious error if the individual believes so. It must be recognized he fails to understand marginal utility, ultimately, economics itself.

In no case would the exact same good be less valuable than the next. An actor is hungry and desires food, so he decides eggs are his highest value. The first egg will be more valuable than the second. It will satisfy his hunger, and it is more nutritious than no eggs; however, the actor needs four eggs to make an omelet. In this case, the fourth egg serves as greater utility than the third. How is this possible? It was just stated, “The exact same good is more valuable than the next.” This is not a contradiction. The fourth egg represents an entirely different good. The actor may have made scrambled eggs with three, but with four, he will make an omelet. This does not mean marginal utility is only sometimes correct. It means the actor prefers an omelet to scrambled eggs.

⁶³. Ludwig von Mises, *The Theory of Money and Credit*, 42–43.

Subjective value and marginal utility solve the water-diamond paradox the classical economists could not solve. The classical economists could not understand why diamonds were essentially useless, but water is necessary for life, fetched extremely dissimilar prices. They never grasped subjective value and marginal utility. An actor is never faced with the choice; all the diamonds in the world or all the water in the world.⁶⁴ In this case, yes, diamonds are useless. Anybody to choose diamonds would die of dehydration in about three days. Crusoe would not choose diamonds. This would be useless or near useless on an island. However, in a modern economy, we are satisfied with plenty of drinking water. Therefore, purchasing rare ornaments, such as diamonds, are higher up the actor's value scale. This increased demand can fetch a higher price, higher than that of water.

⁶⁴ Ludwig von Mises, *Human Action*, 397.

Chapter 6



Exchange

Exchange is always action. It is the action of exchanging one state or affairs for another.⁶⁵ The exchange can take place within one individual, between individuals, or a group of individuals. Growing food or husbanding your own animals for you own consumption is exchange. This is an exchange of food for whatever else could be done with that time, an opportunity cost. Exchange can also happen between two or more people. This can involve the sale of a good, a business owner renting the labor services of a number people, or anything other voluntary exchange between two or more people. We will examine the various types of exchange.

Direct

Direct exchange can be defined in two ways—personal and interpersonal. A personal exchange takes place within the individual. Crusoe can either chose between berries or fish but not both. The

⁶⁵ Ludwig von Mises, *Human Action*, ch. X.

choice would be an autistic exchange.⁶⁶ Crusoe decides to fish, and Friday decides to pick berries. Crusoe trades some fish for Friday's berries; this is a direct interpersonal exchange. The discussion will be on interpersonal exchange. In the following discussion, Friday is not forcing Crusoe to give him half of his fish. All the actions addressed are voluntary.

Interpersonal exchange is just as mentioned above. Crusoe gives a good to Friday, and Friday gives a good to Crusoe. The exchange is made because both expect to receive more than they give away. In short, they expect to benefit from the exchange. In economic terms, we can say each expects to profit from the exchange. The exchange would not have been made voluntarily if either one expected a loss. It is important to emphasize "expected." Of course, there are profits and losses. Humans are not omniscient. Each actor will want to profit, but losses do happen. In fact, there is no way to prevent losses outside of the ERE. These are necessary conditions of a voluntary exchange. Each had opposite values of the goods being traded. They have reverse preference orders. The exchange must occur with a good which will be useful to the exchanger. This can be a present good or a future good such as Crusoe trading a fish for a sack of berries at later date.

A direct exchange has limits on how much an economy can grow. Society does not exist as an isolated island but as a community with multiple individuals cooperating, improving their standard of living. In the event of direct exchange, each individual must want what the other has. There is not always a double coincidence of

⁶⁶ Ibid.

wants. This is even less likely in a modern economy. There are many items in a modern economy which cannot be divided: bike, house, car, computer, etc. A computer engineer cannot build a microchip to exchange for a hamburger. The economy is limited so long as the problem of double coincidence of wants exists. The economy will be limited. How is the problem of double coincident of wants solved?

Indirect

It was discussed above how a commodity becomes a money. Crusoe had to exchange fish for berries, not to consume the berries but to trade the berries for chicken. This is an indirect exchange. More people can be introduced to the island, and if berries become commonly used for indirect exchange, they are referred to as a money. Money is any commonly used medium of exchange. The exchange ratio between the good and the money is the price. It must be clear, trade consists of two sides. There are always two sides to a trade so long as it is voluntary. If shoes are bought, the exchange is not just the buyer receiving shoes for money, but the seller is receiving money for the shoes too. This is an exchange of property titles at the agreed upon ratio.

It is commonly misunderstood that money is neutral, and the price must be level.⁶⁷ This is an argument pushed by government economists to justify creating more money and/or a case of defective thinking. Production and exchange are based on human action. Prices rise and fall with the quantity of money in circulation, levels of pro-

⁶⁷. Ludwig von Mises, *Human Action*, 396.

duction, levels of production of the inputs, labor, hours, changes in processes, etc. There are far too many factors for money to be neutral and prices to be level. If prices do remain level, this is an indication of wicked actors tampering with the economy. The increase of production with more roundabout methods should reduce prices so long the market is free, and a commodity standard exists, usually gold. Production is more efficient which leads to reduced prices; the ratios will change. This will make the actor more productive per labor hour expended and increase his wage. However, if prices are stagnant, this is an indication additional money has been created which is preventing the prices from falling. This does not mean prices can never rise in a free market. A shortage, for any reason, can cause prices to rise. This is an example of price rationing mentioned above, but this is still based on human action which means prices may not rise. The shortage can correspond with a reduced demand, causing the price to remain unchanged or even fall. No money can ever be neutral. Therefore, terms such as “purchasing power” and “price level” are misleading to the study of human action.

The importance of money is not just about the facilitation of trade. Money also provides a means for comparing inputs to outputs. In other words, to calculate whether you are making a profit or loss.⁶⁸ Simpleminded economists and politicians tacitly assume changes in purchasing power occur with regard to all goods and services at the same time and to the same extent.⁶⁹ If company ABC produces widgets, the company will have to deduct payroll, rent, utilities, capital goods, etc.; if expenses are less than the income the widgets generate,

^{68.} Ludwig von Mises, *Socialism*, ch. 1.

^{69.} Ludwig von Mises, *Human Action*, 203.

there is a profit; if expenses are more, there is a loss. Company ABC cannot compare ten widgets to one hammer, two computers, and three phones. The calculation of profits and losses is impossible without a money. There is an important fact about money and profits which cannot be overlooked: it is often said if prices go down, a company cannot earn a profit. The price of a good cannot determine profit. Profit is derived from the price spread of inputs and outputs.⁷⁰ If company ABC can only fetch a low price for the widgets, they would have to negotiate a lower price for the inputs, utilize a more roundabout method of production, or cut costs in another way. It is clear, prices cannot be viewed in isolation to determine profits. The price spread must be viewed in order to determine profits and losses. Without utilizing the price spread is an incomplete picture of exchange.

Comparative and Absolute Advantage

The discussion has involved value and the types of exchange, but it was not discussed why exchange would occur. The invention of speaking indicates humans were working together to figure out how to survive—cooperating. As an indispensable tool, we will have to use a thought experiment. Crusoe and Friday are on the island, and they must figure out how to survive. We will assume each catches the same number of fish and collects the same number of berries. Many economists say there is no need for exchange if everyone is equal—as in the case of Crusoe and Friday. Each has the same access to land and labor; exchange will not benefit them. I disagree. Economies of

⁷⁰. Murray N Rothbard, *Man, Economy, and State*, 370.

scale will still exist even with two people. Therefore, if each specializes in a particular field, production will increase. Under the nonexistent condition of pure equality—land, labor, interest, etc.—there will still be an increase in production. The division of labor will continue to exist.

Comparative advantage exists when an individual is better at one task than the other, and the other is equipped with the reverse skill set. Crusoe is better at catching fish; Friday is better at collecting berries. It will be beneficial to both—more productive—if each specializes in what they are comparatively good at. Crusoe has been on the island longer. What if he is better at fishing and collecting berries? Crusoe has the absolute advantage, but it will still be more productive than remaining in isolation. A modern example: a surgeon and a medical biller. The surgeon is better at both tasks, but it will still pay the surgeon to hire a medical biller, so surgery can be focused on. Comparative and absolute advantage can also be applied to nations as well, as David Ricardo has shown, but Mises explained how this is applied to the individual as well:

Therefore, it is manifest that the division of labor brings advantages to all who take part in it. Collaboration of the more talented, more able, and more industrious with the less talented, less able, and less industrious results in benefit for both. The gains derived from the division of labor are always mutual.⁷¹

⁷¹. Ludwig von Mises, *Human Action*, 159.

What we are dealing with here shall be known as the Misesian law of association. Another thought experiment will suffice. Suppose the world population, as it is today, shifted from division of labor to self-sufficiency. What do you suppose will happen? Leonard Read beautifully explained how nobody in the world knows how to make a pencil.⁷² There is not much less complicated than a pencil. One can imagine how everything will be nearly impossible to produce. It is easy to see the world population will quickly diminish.

Many economists, sociologists, political scientists, etc. have assumed division emerged because humans have sympathy for one another. Now, humans do have sympathy for one another, but sympathy emerged as a result of social cooperation. As Ludwig von Mises stated:

Within the frame of social cooperation, there can emerge between members of society feelings of sympathy and friendship and a sense of belonging together. These feelings are the source of man's most delightful and most sublime experiences. They are the most precious adornment of life; they lift the animal species man to the heights of a really human existence. However, they are not, as some have asserted, the agents that have brought about social relationships. They are fruits of social cooperation, they thrive only within its frame; they did not precede the

⁷² Leonard E. Read, *I, Pencil: My Family Tree as told to Leonard E. Read*, (<https://www.econlib.org/library/Essays/rdPncl.html>).

establishment of social relations and are not the seed from which they spring.⁷³

He states shortly after to solidify this fact:

Praxeology solves the problem. If and as far as labor under the division of labor is more productive than isolated labor, and if and as far as man is able to realize this fact, human action itself tends toward cooperation and association; man becomes a social being not in sacrificing his own concerns for the sake of a mythical Moloch, society, but in aiming at an improvement in his own welfare. Experience teaches that this condition—higher productivity achieved under the division of labor—is present because its cause—the inborn inequality of men and the inequality in the geographical distribution of the natural factors of production—is real. Thus, we are in a position to comprehend the course of social evolution.⁷⁴

Time Preference

The actor does not appraise goods in a vacuum. The actor directs his action to the removal of uneasiness in the categories of soon and

⁷³. Ludwig von Mises, *Human Action*, 144.

⁷⁴. Ludwig von Mises, *Human Action*, 160.

later.⁷⁵ He not only prefers more goods to less goods, but he also prefers goods earlier than later. Present goods are sold at a discount to future goods. The moment an actor takes out a loan for any reason, say a car, future goods must be discount to the present. The loan may be for \$20,000. The bank will make a loan for that amount, but they will require more back in return. It will not be worthwhile unless a greater amount covers the difference and is the best use of that money for the time. The bank could invest the money in a bond which will yield 4 percent interest. Based on this assumption, the loan will not be made unless the interest on the loan is greater than 4 percent.

Time preference can be thought of as a reward for waiting. If an individual gets paid and immediately spends his paycheck, he has a high time preference. If an individual gets paid and saves a portion of his paycheck which will yield interest in the bank, however small (assuming there is no inflation), the money will provide a benefit for delaying consumption. This is called a low time preference. Time preference is not limited to money. It is simply delaying satisfaction for a reward at a later time. Ice cream is good but being healthy is good also. Do I want immediate satisfaction by eating the ice cream? Or do I want to forego the ice cream which will be the healthier choice? Foregoing the ice cream may add years to your life and improve your physique, or you could eat the ice cream and enjoy the taste. The latter choice may take years off your life and cause weight gain. Do unhealthy eaters have a higher time preference? Yes, on average, they most likely do. It should be clear time preference does not have to be money. It is waiting for satisfaction.

⁷⁵ Ludwig von Mises, *Human Action*, 480–481.

Monopoly

There is an enormous amount of confusion about what monopoly means. Many times, monopoly is used to signify a company having a large market share. However, this is not the case. A restaurant that produces a meal with a certain recipe would have a monopoly by this definition. Many restaurants do in fact produce meals with a unique spin on the ingredients. They are a unique producer. This definition of the term simply does not work. Even if this was the definition, it is too broad and could be used in many scenarios, which in turn would lose the preciseness and would not carry any weight. Monopoly does mean something very different. It has a meaning that is both precise and carries weight.

The term “monopoly” is a grant of government privilege.⁷⁶ The government can grant that only company ABC can produce widget X. Now, everyone in that state can only buy widget X from company ABC. This is great for the company. They do not have any competitors which will reduce the quality of the product and increase the price over time. However, this is a terrible situation for the customers. They now must buy a product that will reduce in quality over time, a subpar product at premium price. When you are producing a good or service, a monopoly is good from the point of view of the producer but bad in the point of view from the customer.

While the definition of a monopoly is a grant of government privilege, it is rarely given as one given in the hypothetical example of company ABC. Companies, however, are much more likely to receive

⁷⁶ Murray N. Rothbard, *Man, Economy, and State*, ch. 10.

a quasi-monopoly.⁷⁷ This can take different forms, but there is one which is much more likely to occur than all others. The government invents legislation to “protect the consumer.” The legislation will say something to the effect of: to produce this widget you must do *A, B, C, D*, etc. On its face, this may sound like it is designed to protect the consumer; as you will see, this is designed to protect an established company from competition.

The large and established company can afford to meet the criteria the legislation requires. The start-up company, possibly with new processes and/or different ways to improve the product, cannot. Their inability to afford the requirements mean the masses must live at a lower standard of living. This may go unnoticed if this were just one company. However, many companies bribe politicians to get various legislation in their favor which is misleadingly referred to as lobbying.⁷⁸ The large companies know their competitors cannot afford this. They bribe politicians to protect their position, thus, creating a quasi-monopoly. The criteria which is bad for the masses is referred to regulation in order to “protect the customer.” It is very true, regulation is made by big business for big business. The Last Polymath made many tremendous contributions. It is difficult to choose the best, but monopoly theory is among them:

⁷⁷. Ludwig von Mises, *Human Action*, 658–659.

⁷⁸. It was mentioned above how companies will bribe politicians. However, they are two distinct bribes and they should be categorized as such: offensive and defensive. A company bribing a politician is an offensive bribe. This keeps companies from the free market. However, if there is regulation in place and a company cannot afford to produce the product, they will have to bribe to try to get to the market. An offensive bribe hurts the masses. A defensive bribe helps the masses. Legally, they should be viewed very differently, sadly, they are not.

For one firm may achieve a “monopoly price” as a result of its natural abilities or consumer enthusiasm for its particular product, whereas a cartel of many firms allegedly involves “collusion” and “conspiracy.” These expressions, however, are simply emotive terms designed to induce an unfavorable response... Thus, we conclude not only that there is nothing “wrong” with “monopoly price,” but also that the entire concept is meaningless. There is a great deal of “monopoly” in the sense of a single owner of a unique commodity or service. But we have seen that this is an inappropriate term and, further, that it has no catallactic significance. A “monopoly” would be of importance only if it led to a monopoly price, and we have seen that there is no such thing as a monopoly price or a competitive price on the market. There is only the “free-market price.”⁷⁹

Business Cycle

The talk about the causes of the boom-and-bust are absurd. Various reasons are given for the ups and downs: excessive spending, deregulation, speculators, animal spirits, etc. The public is told the government should increase taxes to prevent the excess spending. The government needs to regulate more. The overlords at the central

⁷⁹ Murray N. Rothbard, *Man, Economy, and State*, ch. 10.

bank need to control these animal spirits. Various legislation is cited as the cause. While legislation can influence the business cycle, it is not the cause. They get closer to the mark by citing inflation, but they blame inflation on everybody but the cause.⁸⁰ The successful entrepreneur is in that position because he is skilled at predicting future demand. Suddenly, these entrepreneurs all make errors at the same time. Why is there a cluster of errors?

The cause of the business cycle is the manipulation of the interest rate.⁸¹ It is possible to stimulate demand by reducing the rate of interest, but only in the short run.⁸² The cost of borrowing decreases so naturally—all things being equal—the demand will rise. Those who felt the cost of borrowing too much to deem the project unprofitable now have the illusion the same project is profitable. This will bring about a diversion of resources, thus creating malinvestment. This is not a general overinvestment, but investment in the wrong areas. The masses see interest as a hinderance to borrowing money, a hinderance to their standard of living. Any manipulation of prices by another of than the market will wreak havoc. Interest rates are the most important price in the economy. Manipulation of the interest rates will cause a collapse, and this collapse is unavoidable.⁸³ It can be delayed, but it will come sooner or later. If it is delayed long enough, the currency breaks down entirely. The money becomes more and more valueless. The masses will buy anything they can at that moment because they know it will be worth less tomorrow. This

⁸⁰. Murray N. Rothbard, *The Case Against the Fed*, 54–55.

⁸¹. Murray N. Rothbard, *Economic Depressions: Their Cause & Cure*, (Ludwig von Mises Institute, 2009).

⁸². Ludwig von Mises, *The Theory of Money and Credit*, 356.

⁸³. Ludwig von Mises, *Human Action*, 570.

is a “flight to real values.”⁸⁴ There is no way to manipulate or abolish the interest rate without disaster.

The cause of the boom-and-bust is clear. It will not reoccur if the interest rate is not tampered with. This has not just appeared once or twice in history. It has appeared with coin clipping, diluting metals, fraudulent claims of having your money in a vault, and the rise of central banking. Why, then, does it constantly appear repeatedly? Coin clipping and diluting metals is a much more obvious cause. It is clear why this would want to be done but also clear why people would disapprove. Credit expansion by the central bank is the same as diluting metals and coin clipping. With their modern equivalents, why don't the masses put up the slightest resistance? It appears the answer is in messaging. The masses are told prices must be stable; a little bit of inflation is good; the crisis would have been worse if our overlords did not act; incomprehensible terms; and the most dangerous lie of them all, the boom is good, and the bust is bad. In short, the masses are flooded with propaganda. The overlords want you to believe this should be left to some esoteric group. This way, nobody will look into or question what they are doing.

If you try to be everywhere, you'll be nowhere. “In the end, no one can spend more than he has: that is true of the individual, it is true of a people.”⁸⁵ While the masses receive an enormous amount of propaganda, one must be addressed. The most evil lie of them all, the boom is good, and the bust is bad. The boom leads to malinvestment with the scare factors production. A project which would take

^{84.} Ludwig von Mises, *Human Action*, 466.

^{85.} Walter Kaufmann, *The Portable Nietzsche: Twilight of the Idols*, (Penguin Books, 1982), 508.

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five years of funding seems profitable with the illusion of a lower interest rate. The entrepreneur must bid away capital goods and employees. This may seem like a positive; a new project is underway, and many more people have jobs. However, as soon as the masses realize the project cannot be finished, the capital has been diverted away from where it was more urgently needed, causing prices to rise. The employees are now unemployed. The masses' standard of living has been reduced. The bust is a reorganization of capital which has been misdirected by the manipulation of interest rate. The longer the boom goes on, the worse the bust will be, and the lower the masses standard of living. The bust is uncomfortable, awful for some, but is necessary following a boom. The longer the bust is delayed, the more horrendous it will be.

The breakdown appears as soon as the banks become frightened by the accelerated pace of the boom and begin to abstain from further expansion of credit. The boom could continue only as long as the banks were ready to grant freely all those credits which business needed for the execution of its excessive projects, utterly disagreeing with the...supply of factors of production and the valuations of the consumers. These illusory plans, suggested by the falsification of business calculation as brought about by the cheap money policy, can be pushed forward only if new credits can be obtained at gross market rates which are artificially lowered below the height they would

reach at an unhampered loan market. It is this margin that gives them the deceptive appearance of profitability. The change in the banks' conduct does not create the crisis. It merely makes visible the havoc spread by the faults which business has committed in the boom period.⁸⁶

The masses must not tolerate the manipulation of interest rates. It will lower the standard of living, cause hardship. It is fraudulent, and the creation of money is counterfeiting. Keynes was aware inflation is an unobserved confiscation of wealth. It is truly utopian to expect central bankers not to create more money so long as they are not angels. Does anyone believe the central bankers are angels? I'm sure the answer is in the negative, so we must expect more counterfeiting, higher prices, a decline in purchasing power, and a never-ending cycle of boom and bust. This is far more evil than the observed taxation.

Capital Consumption

It has been shown time preference and rate of interest are categories of human action.⁸⁷ The more often the interest rate is manipulated, and the unit of currency is more unstable, the more difficult economic calculation becomes.⁸⁸ We enter a state of capital consumption. Capital accumulation is obvious. The standard of liv-

^{86.} Ludwig von Mises, *Human Action*, 559.

^{87.} Ludwig von Mises, *Human Action*, ch. XIX.

^{88.} Ludwig von Mises, *Socialism*, 137–142.

ing has risen over the centuries. Although, economic progress is not automatic. Capital accumulation will not continue if various factors are not satisfied. Capital consumption is not something that happens overnight. Capital goods do not wear out immediately as soon as these factors are not satisfied. Capital consumption can be best described as:

Such a policy of destructionism means the consumption of capital. There are few who recognize this fact. Capital consumption can be detected statistically and can be conceived intellectually, but it is not obvious to everyone. To see the weakness of a policy which raises the consumption of the masses at the cost of existing capital wealth, and thus, sacrifices the future to the present, and to recognize the nature of this policy requires deeper insight than that vouchsafed to statesmen and politicians or to the masses who have put them into power. As long as the walls of the factory buildings stand, and the trains continue to run, it is supposed that all is well with the world. The increasing difficulties of maintaining the higher standard of living are ascribed to various causes, but never to the fact that a policy of capital consumption is being followed.⁸⁹

⁸⁹. Ludwig von Mises, *Socialism*, 458.

For example, a company owns a building which needs repairs, but the repairs will have to wait while a new technology is produced. For a period of time, the company will have the building and new technology, giving the appearance that capital has been accumulated. The public at large will benefit from the new technology. Those repairs have now become severe enough to make the building uninhabitable. The interest rate has abruptly changed. The company will have to move into a new building, ceasing production of the new technology, or may even file for bankruptcy. The company has lost a building and the new technology. The employees may have lost their jobs, at least temporarily. On to the next stage, these employees can no longer afford their mortgage, make repairs to their car, or even afford food for their children. These unfortunate individuals will have to look for help from their community, religious group, or the state. All of this comes from capital which has already been accumulated. This is an example of capital consumption. This example is just one company. Now, imagine this takes place in an entire county or the entire world. The community, religious group, and state will not be able to help.

In this example, the interest rate misdirected resources from minor building repairs to a new technology. The repairs could have been made, and the new technology wouldn't have hit the market as soon, but the capital would not have been consumed. The interest rate doesn't affect one company in one location. The interest rate, as I write this, is set by the central bank. This affects everybody that doesn't have a natural interest rate which is the entire world. Capital consumption may very well be underway. Durable capital goods can last for decades. While many goods are produced, durable capital

goods may be depreciating. There is a misallocation of what should be produced and what should be repaired or replaced. There is an optimum ratio which can only be determined by the market, and the market implies a natural interest rate, not one manipulated by the central bank.

Profit, Loss, and the Entrepreneur

The entrepreneur who judges and displays foresight more correctly than others the costs of the production factors and the price of the product, and these costs are lower than revenue from sales, a profit results. The entrepreneur who misjudges and displays a lack of foresight in the costs of the production factors and the price of the product, and these costs exceed revenue from sales, a loss results.⁹⁰

An entrepreneur is not an individual who starts a business and ceases to be an entrepreneur after six months or a year. An entrepreneur is indefinite. An entrepreneur is one who judges the costs of production factors and the sales.⁹¹ Successful entrepreneurs judge more correctly than others. They are the ones who yield a profit. The unsuccessful ones misjudge the costs of production factors and demand. They are the ones who yield a loss. The unsuccessful ones will go out of business or are replaced by others who will attempt the same thing. This is never-ending process.

An individual cannot have a clear understanding of business operations by simply thinking of profits and not its corresponding function. Profits must be thought of with losses to fully compre-

⁹⁰. Ludwig von Mises, *Planning for Freedom: Let the Market System Work*, ch. 17.

⁹¹. Ibid.

hend the business process. Successful entrepreneurs are decided by the consumer's buying and abstention from buying. The consumers decide who will profit and who will not. The consumers demand certain products, produced a certain way, and/or at a certain price. The goods or services will go unsold if the consumer's demands are not met. The entrepreneur faces this test every single day.

It is very common to hear the term "excessive" profits. What does this term mean? This is only a demagogic term or an epithet. Profits are good. They are a sign that the entrepreneur is anticipating wants correctly. The consumer's demands are being met. It is also a signal that the demand is high in the field and other entrepreneurs should enter. This will continue until enough entrepreneurs enter the field and profits are no longer "excessive." What about "excessive" losses (which is never said)? A business cannot sustain losses and will eventually go out of business if this continues. The business may have to change the process or has simply misjudged consumer demand. This is also a signal. It is a signal to the creditor not to lend money, possibly, for others not to enter or leave the field. The business was not satisfying demand and/or is inefficient.

What about the term "profiteering" or "price gouging"? These are only demagogic terms as well. If a hurricane destroys the livability of houses, and hotel owners raise the price,⁹² are they taking advantage of consumers? No, they are raising the price to meet demand. If a family of four would normally get two hotel rooms, but at the increased price they will only get one, there is now an extra room for another family whose house was also damaged in the hurricane. The

⁹² This example appeared in a Walter Williams column.

hotel owner is not taking advantage of the situation; if anything, the hotel owner is providing valuable public service. What if the hurricane caused the price of lumber to increase? This is signal too. If an individual in another location needs lumber but sees the price of lumber has increased, the project will be put on hold. The lumber will be diverted to where it is most urgently needed. In both cases, the hotel owner and the lumber salesman made an entrepreneurial decision. Entrepreneurial decisions will not always be correct; however, they always attempt to do so. They were just correct in these two examples.

Entrepreneurs are unsuccessful at times. What happens when they are unsuccessful? They must go through a liquidation process. This involves the selling of assets. These assets do not vanish. It is not said explicitly that assets vanish, but it is strongly implied. The capital goods do not disappear if the owner of a car factory must go into bankruptcy proceedings. All the capital goods still exist, they just have new owners. Owners that will be more efficient with production and/or satisfy demand better. If they are not, this process will continue. The mere existence of capital goods does not automatically yield profits or losses. Capital goods are static. It is how the capital goods are put to use by the entrepreneur. Materials must be transformed into something of higher value.⁹³ If the capital goods are put to use to satisfy demand, profits can be earned. This is not the end of the process. The profits are reinvested into business. This is how a small business becomes a large business. If losses occur, the assets have to be liquidated. This is a never-ending process. Profits and

⁹³. Murray N. Rothbard, *Man, Economy, and State*, 53.

losses mean much more than the cash flow on a financial statement. They send signals that are essential to business operations.

As the average subordinate employee sees things, all that is to be done in the conduct of business is to accomplish those ancillary tasks which are entrusted to the managerial hierarchy within the frame of the entrepreneurial plans. In his eyes, the individual plant or workshop as it exists and operates today is a permanent establishment. It will never change. It will always turn out the same products. He ignores completely the fact that conditions are in a ceaseless flux and that the industrial structure must be daily adjusted to the solution of new problems. His world view is stationary. It does not allow for new branches of business, new products, and new and better methods for manufacturing the old products.

Thus, the syndicalist⁹⁴ ignores the essential problems of entrepreneurship: providing the capital for new industries and the expansion of

⁹⁴ Mises defined it, "Syndicalism, as used by the partisans of Georges Sorel, means special revolutionary tactics to be resorted to for the realization of socialism... They should adopt *action directe*, unflinching violence to destroy all the institutions of capitalism. They should never cease to fight—in the genuine sense of the term—for their ultimate goal, socialism. The proletarians must not let themselves be fooled by the catchwords of the bourgeoisie such as liberty, democracy, representative government. They must seek their salvation in the class struggle, in bloody revolutionary upheavals and in the pitiless annihilation of the bourgeois."

already existing industries, restricting branches for the products' demand for which drops, technological improvement. It is not unfair to call syndicalism the economic philosophy of shortsighted people, of those adamant conservatives who look askance upon any innovation and are so blinded by envy that they call down curses upon those who provide them with more, better, and cheaper products. They are like patients who grudge the doctor his success in curing them of a malady.⁹⁵

The Market

The market consists of everything in economics. It is impersonal and the social system of division of labor.⁹⁶ Each individual in the social system of division of labor will act on his own behalf. Each action is aimed at a goal or removing an uneasiness. Not only does each action aim at removing an uneasiness, every other actor is aiming at the same thing. This is not to say everyone has the same goal, but he also has an uneasiness to remove. In the event the action involves another individual, it is a mutually beneficial exchange. As individuals begin to act; the market guides each individual how best to achieve his goals.

The market is not a location or a place; it is a process of social cooperation.⁹⁷ This process is continually changing based on the

⁹⁵ Ludwig von Mises, *Human Action*, 810.

⁹⁶ Ludwig von Mises, *Human Action*, ch. XV.

⁹⁷ *Ibid.*

subjective value judgements of everyone participating in the market. These subjective value judgments create prices, and these prices adjust the movement of goods and services. This is accomplished entirely independent of any compulsion. This is solely subjective value judgements. This social system cannot be altered with by any individual or group of individuals:

The market economy must be strictly differentiated from the second thinkable—although not realizable—system of social cooperation under the division of labor: the system of social or governmental ownership of the means of production. This second system is commonly called socialism, communism, planned economy, or state capitalism. The market economy or capitalism, as it is usually called, and the socialist economy preclude one another. There is no mixture of the two systems possible or thinkable; there is no such thing as a mixed economy, a system that would be in part capitalistic and in part socialist. Production is directed either by the market or by the decrees of a production tsar or a committee of production tsars.⁹⁸

Any attempt to alter the economy with claims that it will be improved will fail completely. If a “solution” to a “problem” is called

⁹⁸. Ibid.

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for by the social apparatus of compulsion, it will create more problems with more solutions to solve. This is unstable and will lead to ever more interventions. “For riches being composed of the value of the things which we possess, there can be no riches where no things are possessed; that is, no property.”⁹⁹

In the market, no business has privileges over any other. Each business stands the test of the market every day. The business is subject to the consumers, satisfying their wants and demands. The consumer is coldhearted toward the business. If the prices are too high, the good or service don't do as advertised, another product is superior, etc., they will move on. Advertisement is not an end all be all. A business does not just have to spend money on marketing, and “abracadabra” they are successful. Marketing may draw in some customers, but they will quickly discover the products didn't do as advertised. Marketing will get the message out to new customers, but they need repeat customers. The business must deliver. The business will not get their money. If this is frequent enough, they will go out of business. A business must convince customers that not only will the product satisfy wants but will satisfy wants again. Economics truly is the logic of human action.

⁹⁹. Jean-Baptiste Say, *Catechism of political economy: or, Familiar conversations on the manner in which wealth is produced, distributed, and consumed in society*, (Sherwood, Neely, and Jones, 1816), 78.

Chapter 7



Property Rights Arrangements

I have refrained from discussing politics for the most part. There are a few exceptions in which it was required. Particularly, the business cycle and monopoly which cannot be explained without mentioning the central bank and government since that is that source of the cycle and monopoly. My intent was to explain philosophy and economics from the ground up. I have come to the point in which it will be required to be mentioned much more than before. After all, politics cannot be fully understood without accepting the fact that, almost always, private property will be violated. Before the crux of political philosophy is explained, the various types of private property violations must be understood.

Aggression

There is a clear distinction between the methods of acquiring goods. Franz Oppenheimer described it as the economic means and political means.¹⁰⁰ The economic means has already been discussed

¹⁰⁰. Franz Oppenheimer, *The State*.

above, that is through production and voluntary exchange. Exchange can be a voluntary gift, that is provide a good, usually money, for good feelings or any other reason one may part with their wealth. The political means has not been discussed in detail. The political means is the nonvoluntary or violent expropriation of property. There are various ways to expropriate. It is not as simple as a robbery. There are other ways to aggress as well.¹⁰¹ We will explore those ways in which private property is violated.

Autistic

This is the aggression that first come to mind at the moment you hear “aggression.” This is a basic physical aggression or threat thereof. This can take the form of physical robbery, assault, murder, etc. This may also take the form of, “Do this...or I will beat you up.” They might appear as obvious. This may be obvious, but there are other forms of aggression as well. These other forms should not go overlooked in an examination of political philosophy.

Binary

If there is a third party coercing a “gift to themselves,” it is called binary intervention.¹⁰² John will exchange a good or service for \$X. This is a voluntary exchange until the state demands a portion of the cash received for the sale. The state is saying, “Pay me *Y* percent or face a penalty.” Now, that penalty can be a fine, jail time, etc.,

¹⁰¹ Murray N. Rothbard, *Power and Market: Government and the Economy*, ch. 2.

¹⁰² Ibid.

but it is still a threat to use force. Jury duty is also a form of binary intervention. It takes the exact form of the threat to pay taxes on the good sold. The level of taxation may only be slightly above the good or service. John may unhappily accept this loss. If the tax did make it unacceptable, this would make the harm it does much more visible. It may be high enough to prevent the transaction from happening at all. Using a *reductio ad absurdum* is an extremely useful thought experiment.

There is another form of intervention. This is inflation.¹⁰³ Inflation is the increase in the quantity of money under a fiat paper money. This involves the central bank printing more money. This makes all the money you have saved and future money you will earn worth less than before the printing. This is counterfeiting, it is as simple as that. What the state is essentially doing is taking money directly out of your bank account. Inflation is not the exact same as taxation. It is an alternative—a far more insidious one. If the quantity of money increased by a millionth of a percent every month, the price rise may not be noticed, but if the quantity of money increased 50 percent every month, money would be worthless very soon.

Triangular

This third method of aggression has been noticed before, but it has only been noticed as an intervention. I agree, this is an intervention, but it is also aggression. Triangular intervention is when a third party compels or, much more common around the world, prevents

¹⁰³. Murray N. Rothbard, *Power and Market: Government and the Economy*, ch. 4.

a voluntary exchange from taking place.¹⁰⁴ Rather than refer to it as triangular intervention, it is referred to as price ceiling or price floors or some other price control term. These have consequences and are aggression. Depending on degree, it can have more or less of an effect on voluntary transaction.

The same *reductio* can be used for binary and triangular intervention. How is the minimum wage a price control? Well, a business owner and employee agree to a contractual amount. The transaction is voluntary thus far, but if the state says the employee cannot be paid less than a certain amount, and the minimum wage is more than the amount they agreed to, the state is preventing the transaction below a certain price. The business owner will have to comply to remain in a state of legality. With the businesses cash flow, he could have hired five new employees. However, the minimum wage makes it possible to only hire four employees. This may be beneficial in the short term for the four people with jobs, but the fifth is now unemployed. Now, he will have to live at a lower standard of living; his parents will have to support him longer; the idleness and lack of income increases the chance he will engage in illegal and dangerous activities. The unemployed had a few options, and the one he chose was made illegal by the state. If he still wants to follow through with his voluntary transaction, the state has made the law-abiding citizens into criminals. This is an example of the minimum wage when it is close to the natural wage. What if the minimum wage is increased?

In the example above, the price-controlled wage is relatively close to the natural wage. The business owner had to hire four

¹⁰⁴ Murray N. Rothbard, *Power and Market: Government and the Economy*, ch. 3.

employees rather than five. This will curtail production. The masses' living standard will be reduced but not severely. If the overlords are as loving as they claim, and the minimum wage is beneficial, why stop there? Why not increase the wage by a multiple of two, ten, one hundred, or one million? The wage is only increased slightly above the natural rate because the effects are more difficult to see. If the wage was a million times higher, it is easy to see everyone would be unemployed. Not one business would be able to afford one employee. The human race would quickly die out. The effects are the same, just a different degree. Rather than everyone being unemployed, only a few are, and the overlords can point to a scapegoat. This same reductio can be used for the taxation, inflation, sales tax, VAT, etc. A sales tax of a few percent may go unnoticed, but if the tax increased the price of good by a multiple of one hundred, the effects would be seen.

Capitalism, Socialism, and Fascism

It is important to distinguish from the three. They are incredibly misunderstood, and it is highly important to the understanding of political organization—this is not unintentional. They themselves are not political systems. These are property right arrangements but critical to political organization. A country can have varying degrees of each, after all, every country around the world does. There is a constant, never-ending struggle of who owns the title to a piece of property. Even under pure private property, someone or an organization, will attempt to gain the title to property; envy is never-ending. The difference between the three is property based on who owns and controls a piece of property.

Capitalism

As mentioned above, there is a misunderstanding of what the definitions are. There is only a single definition of all three. Capitalism is the pure form of private property ownership. Property comes into ownership voluntarily.¹⁰⁵ This can take the form of homesteading, exchange, or even gifting. The owner of the property is the sole decision maker of how to put use the property. If an individual owns a factory, the owner will decide what, how, how much to produce, and at what price. The factory owner employs people on a voluntary basis. At any moment, they can terminate their contract with regards to prior property transfers.

The factory owners did not have the power to compel anybody to take a factory job. They could only hire people who were ready to work for the wages offered to them. Low as these wage rates were, they were nonetheless much more than these paupers could earn in any other field open to them. It is a distortion of facts to say that the factories carried off the housewives from the nurseries and the kitchens and the children from their play. These women had nothing to cook with and to feed their children. These children were destitute and starving. Their only refuge

¹⁰⁵ Ludwig von Mises, *Money, Method, and the Market Process*, (Ludwig von Mises Institute, 2011), ch. 13.

was the factory. It saved them, in the strict sense of the term, from death by starvation.¹⁰⁶

The moment property is seized by the state or even controlled by the state, however minute, there is a shift from capitalism to socialism or fascism.

Socialism

Socialism is defined as the state ownership of property.¹⁰⁷ Or “the tyranny of the meanest and the most brainless, the superficial, the envious, and the mummer, brought to its zenith.”¹⁰⁸ Property is owned by all individuals in the territory collectively. The state will demand what, how, and how much to produce. The factory is operated by a bureaucrat. Of course, money does not exist under full socialism. Money represents ownership to a good with access to a good. Of course, under a society of no ownership, money represents some ownership and the unequal status in society. Each will produce and take according to their needs. It is also important to mention communism. There is much talk about how these two are different; they are not. According to Marx, communism is the utopia which happens hundreds of years after socialism. Communism is simply the complete abolition of property. As George Reisman said, “Marxism/socialism is a philosophy conceived in gross error and ignorance about the nature of capitalism, and all about the nature of the rela-

¹⁰⁶. Ludwig von Mises, *Human Action*, 615.

¹⁰⁷. Ibid.

¹⁰⁸. Friedrich Nietzsche, *The Will to Power*, 45.

tionship between capitalist, profits, and wages...results in economic chaos, enslavement, terror, and mass murder.”

Fascism

This is certainly the most confused and least understood of how property rights can be arranged. Fascism is state *control* of property while the terms used in capitalism are retained.¹⁰⁹ The state will demand what, how, how much to produce, and at what price, but the factory is operated by an “owner.” The factory “owner” earns “profits” and pays employees “wages,” but these terms are not real. If an individual actually owned a factory, they would be the sole decision maker, not the state. Retaining these terms gives the ring to capitalism but far from it. The terms fool the masses into supporting socialism. In reality, this leaves the same people in control of property but just the terms are abolished. Mises was one of the few that recognized what fascism really was:

The terminology of the market economy is retained, but in fact, there is no longer any private ownership of the means of production, no real buying and selling, and no market prices. Production is not directed by the conduct of the consumers displayed on the market but by authoritarian decrees. The authority assigns to everybody his station in the system of the social

¹⁰⁹ Ludwig von Mises, *Planning for Freedom: Let the Market System Work*, (Liberty Fund, 2008), ch. 1.

division of labor, determines what should be produced, and how and what each individual is allowed to consume.¹¹⁰

Statism

It was mentioned above that every state has varying degrees of the three property rights arrangements. Property rights have never been based on pure private ownership nor have they been abolished completely. Given the horrendous experiments with socialism in the twentieth century, and ones which continue to take place to this day, however, disguised so the evil can continue with exception of the mass murders, at least not in a mass execution style. It is disguised under the auspices of public/private partnership, the environment, fairness, etc. Each involves some form of state control and transfer of property to the state. This is a clear mixture of socialism and fascism which is statism. Statist may have similar philosophies and agree on much, but the statist have different networks. Statists hate other statist who are not their friends.

Left and Right

The confusion of terms continues here. Many times, socialism will be on the left; and many times, capitalism will be on the right. I say many because there is not a clear definition. Often, the people who apply the terms left and right do correctly define socialism and

¹¹⁰. Ludwig von Mises, *Human Action*, 687.

capitalism. As correctly explained above, socialism is the abolition of property, and capitalism is pure private property. However, fascism is very often attributed to the rightest movement. Fascism does not allow control for property. The terms are just retained. Fascism is not pure property rights, so not on the extreme right with capitalism, but also slightly different from socialism. As capitalism is veered away from, the amount of property ownership decreases, so socialism and fascism are on the left. The movement away from capitalism happens in two slightly different directions, with socialism and fascism on the left holding hands and capitalism on the extreme right. The language used has differed from country to country, from time to time. I do not deny this. Politicians will use words to mean whatever they want to mean. Their goal is to make a lie sound like the truth. I have attempted to be accurate about what the words actually mean. After all, someone must sit on the left, and someone must sit on the right. To be accurate, they should all be on the left, the right is nonexistent.

Political Philosophy

Before I begin, it must be emphasized, political philosophy is not politics. Political philosophy presupposes an ethic which was explained above. This is universal and unchanging. It does not change with time nor various factors of international relations. Political philosophy must be separated to be understood. Political philosophy and economics are descriptive, and politics is prescriptive. The former are sciences, the latter is the aping of a science. This will deal with how life should be opposed to how it is, the famous “is” “ought” problem.

Natural Elite

Society does not appear under current conditions. Capital must be accumulated, and it will never accumulate evenly throughout society. There will be a few who emerge with more capital and/or prestige than the rest. This can happen in a variety of ways. They can be superior entrepreneurs, more knowledgeable, better and braver warriors, etc., but they will tend to separate themselves from the rest. They have been referred to by different names, but one which is more accurate than the rest, the natural elite.

The natural elite are an organic growth of society. Humans begin in a capital-less world. Matter must be transformed to valuable goods—goods that are useful to mankind. However, a few are better at serving their fellow man than others, better and braver in fighting off an attempted conquest, more intelligent than the rest. The masses will tend to look to them for guidance. They can look to the entrepreneur to help with a career choice, the warrior for security advice, and the intellectual for making difficult decisions and settling disputes.

This is purely an organic growth. These natural elite will appear through a process without any intervention or aggression. This is similar to an extended family. One of the natural elite may stand out from the other within the natural elite. This individual has been come to be known as the monarch. The monarch is the leader of society. Leader in a patriarchal sense, not that he can tax or has a monopoly on decision making. This monarch can pass on property titles to whomever he wants. This will most likely be the family, but

it is perfectly legitimate the property titles may be bequeathed to members outside the immediate family for any reason he chooses.

Organic Money

A society has emerged. There is a clear structure, but what is the money? Remember, this an organic society, so what money does an organic society use? Every single state uses paper as money, or a fiat money currently. It may go overlooked, but this is not how money appeared. This was an intervention of a natural money, and the public was propagandized to believe this is beneficial, at least for the majority. This paper money was built on the back of an organic money—gold.

In an organic society of natural elites, the societies will be very small, possibly the size of towns, but the size will vary. In order to exchange with the next town—buy/sell a good or service, rent labor services—a universal money must be used. It is impossible that paper could be used in an organic society. This is near barter though, but in reality, barter is superior to exchanging a good for paper money. In barter, you are getting a useful good in return. Indirect exchange must be used, an organic society is not possible without it.

Society cannot exist with every town using a different money. There will be a tendency to use a universal money, usually gold. The reason for gold was explained above, but “tendency” must be stressed. This does not happen overnight. If there are fifty different societies exchanging together, forty-five used gold, and the other five are on their own currency. What do you suppose will happen? Well, there will be much less trade with the five societies that have not adopted

the gold standard. The people will begin to move out of those societies, or those societies will have to adopt the gold standard out of necessity.

This is a tendency, so it is possible a society can use silver, copper, etc. out of geographical location or some other reason. If the money price is in gold, a ratio will be used to determine the price in silver or copper. Silver and copper are useful commodities with similar qualities to gold. They can, and have been historically, circulated as money simultaneously with gold. However, an exchange ratio cannot be determined or will be extremely difficult to determine with a paper ticket. Is the ratio of one ounce of gold to fifty paper tickets? What could the seller of a good exchange fifty paper tickets for? Who would accept them? Issue of paper tickets and acceptance of paper tickets are very different.

Small States

As discussed, an organic society will consist of many societies which will have a tendency to use a universal money. It cannot cover a very large area. This can only happen through intervention. Small states, as they shall be referred to, are organic, minimal coercion, and have many benefits. Namely, there is a tendency to limit coercion and contain murderous leaders.

In a perfect world, there would not be coercion. Sadly, the world is not perfect, and there will always be those intent on hurting individuals by robbery, assault, murder, taxation, etc. Person *A* may want to rob Person *B*, so he does not have to work for the time being. Person *B* will have to hire a protection agency. This may take the

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form of health and life insurance. Person *B* will pay a premium each month to handle situations just like this, either in the act or after the incident. The protection agency can prevent the robbery from taking place, recover the stolen goods, and settle disputes. I cannot predict the future and cannot predict exactly the form this will take, but the principles will be the same.

The incident above described a robbery, but what if a leader attempts to extract income from the people living in the territory or tax them. The leader will face many obstacles to this. The leader's family will be concerned about the future power; he is delegitimizing private property; the people may revolt; and most effective off all, the masses can simply leave. These small states are the size of towns. It will not be difficult to move out of this leader's jurisdiction. The leader will not be able to tax, at least tax them at a high rate. It is the same with trade and paper money. If a small state erects massive trade barriers, preventing any exchange with any town, the people will move. If they stay, they will severely reduce their standard of living or starve to death.

There will always be criminals, one trying to harm another, specifically, murder. How this is handled was discussed above. What if the criminal is in power? Say they want to have many executed. This has happened throughout history, especially in the twentieth century. For example, if an evil individual comes to power, his evil would be contained to that small state. An evil leader cannot order the execution or work to death millions if the state is only one hundred people or so. Evil people will always exist. One hundred deaths are horrendous but better than millions of deaths. If the evil leader tried to execute members of other towns, they would quickly be stopped

by security agencies, put in jail, and probably, put to death. They could just leave. The leader can only harm himself. An evil leader cannot do much evil when the state is only one hundred opposed to millions.

Democracy

The most commonly believed fallacy is the one that states democracy is a good form of government. Democracy is based on the precept people have a say in what their government does. On its face, this does sound beneficial. This may be beneficial if property is violated to the exact same extent as in a monarchy. There have been tyrants in the past, I do not deny this. But as I will explain, it is near impossible for a monarchy to violate property the way democracy does. Actually, it is nearly impossible for a monarchy to violate property to only a fraction of what democracy does.¹¹¹ Rarely in history has any thinker thought otherwise:

“It is certainly no exaggeration to state that, during the nineteenth century, some of the best minds in Europe (and in America) were haunted by the fear that there were forces, principles and tendencies in democracy which were, either in their very nature or, at least, in their dialectic potentialities, inimical to many basic human ideals—freedom being one among them.”¹¹²

¹¹¹. Hans-Hermann Hoppe, *Democracy: The God That Failed, The Economics and Politics of Monarchy, Democracy, and Natural Order*, (Transaction Publishers, 2001).

¹¹². Erik Ritter von Kuehnelt-Leddihn, *Liberty of Equality: The Challenge of Our Times*, (The Caxton Printers), 14.

Democracy is not simply a bad form of government; it is an awful form of government. This fallacy has led to a steady growth in government, property is increasingly violated, and money is continually deteriorated. The belief that democracy is good is absolute nonsense, a non sequitur. Nietzsche put it nicely:

“A man who has preserved a strong will together with an open mind has today greater chances than ever. The distinctive quality of people...lies in their ability to be easily trained and broken in; people who learn easily, obey easily, are the rule; a herd animal...has evolved. He who can give commands quickly finds those who are born to obey.”

He described it just as succinctly again:

“The democratic idea favors the nurturing of a human type prepared for slavery in the most subtle sense of the term. Every democracy is at one and the same time an involuntary establishment for the breeding of tyrants, taking the word in all its connotations, including those of a spiritual nature.”

Taxes

All rulers will want to tax as much as possible. This includes monarchy and democracy. However, monarchies are significantly held back. The check which holds monarchies back is not present under democracy to hold back a democratic caretaker. The monarch is a private property owner; the democratic caretaker is not.¹¹³ The citizen's money is private property. The question is, who can more

¹¹³ Hans-Hermann Hoppe, *Democracy: The God That Failed, The Economics and Politics of Monarchy, Democracy, and Natural Order*, ch. 1.

safely violate private property? The moment a ruler taxes, private property is being delegitimized. If a monarch were to do this, he would be delegitimizing his own property. The people will begin to think that if the monarch can violate our property, we can violate his. A democratic politician is not a private property owner, he is simply a caretaker during his time in office. He will not have to worry about delegitimizing his own property. Suppose you rent a car; do you treat it the same way you will treat your own? The rental car may only be in your possession for a few days. You will not change the oil or tune it up. However, you will on your own car in hopes your car will last years to come, and you will have a higher trade-in value at the purchase of your next car. A democratic caretaker treats the country like a rental car, never thinking in the long term.

The monarch faces more checks a democratic caretaker does not, specifically, resistance. Nobody will want their taxes to rise. They may advocate for others to pay more taxes but not themselves. The public will see the monarch and his heirs as the rulers. The public knows they can never be the ruler. The monarch is worried about their power, they have been killed in the past, regicide. Say the monarch is a lunatic; he will try to raise taxes as much as possible. The family would be worried about their power. The royal family will then surround the monarch with advisors to ensure he does not do anything to compromise the family's power. If it does get so bad, and the advisors cannot control the situation, the family—it will not even get to the people—will remove him from office. This could even be killing the monarch. This resistance is not present under a democracy. The ruler of a democracy can raise taxes, but there will not be a revolt. At most, the public will try to vote him out of office.

Regicide does not exist in a democracy. The ruler's party will not surround him with advisors the way a monarch would be surrounded, nor would the ruler's party remove him from office, however that may be. The resistance to taxation dwindles. The public realizes their property is being violated today, but in the future, they can be on the receiving end of the tax revenue.

Inflation and Debt

The monarch will have a lower time preference than a democratic caretaker.¹¹⁴ There may be a few exceptions, but this is nearly universal. Monarchies and democracies will try to inflate the money. It has gone from diluting metals and coin clipping to changing reserve requirements and quantitative easing. The latter sounds more technical, but the result of the specific action is the same—expanding credit. The monarch can try to inflate the currency, and they did, but the monarch faces significant checks. Diluting metals or coin clipping can and did happen. However, in the short run, this may be beneficial, but when that money returns to the monarch, the monarch will receive inflated currency back. The caretaker can inflate money using modern methods, but the caretaker will be out of office when that money returns. The caretaker will make a lot of friends who benefitted from inflation. This is not the concern of the caretaker that did the inflating, only the current caretaker, and they will embark on the same process. The caretaker is only in power for a term; a monarch is in power for life.

¹¹⁴ Ibid.

The monarch will have a lower time preference in the incurrence of debt. Under democracy, the caretaker is not responsible for his debts. The next person will inherit those debts, and the responsible individual will not be held the slightest bit responsible. This is not the case under a monarchy. The monarch will most likely attempt to incur debt. However, unlike democracy, the monarch will have to receive a loan and provide collateral. If the monarch receives a loan, he will have to pledge collateral, a castle, plot of land, etc. If the monarch dies with the debt, his offspring is responsible for the debt. If the monarch died with the debt a modern caretaker has when he leaves office having incurred, his family would lose their property and probably the position as monarch.

War

It is possible the monarch will go to war, and of course, they did.¹¹⁵ The wars under monarch were categorically different from democratic wars. In the event a monarch waged a war, aside from being responsible for inflation and debts, these were relatively minor wars—not to be misunderstood, war is brutal under any form of government. These conflicts usually involve some sort of inheritance dispute using professional soldiers which were hired. Those being hired by one monarch can be hired by another at another time. The monarch that is the enemy today can be the employer tomorrow. This is distinctly different from democratic wars which are ideological. These ideological wars can go on until the enemy thinks like you

¹¹⁵. Ibid.

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or is just conquered and is forced to live under another's views. From the French Revolution on, nearly all wars have been ideological. Wars are motivated by a simple phrase such as "equality." This can never be achieved; therefore, the war can go on indefinitely. It is no longer viewed as the king's war but everybody's war. This incorporates the average citizen in the war. Wars have become increasingly brutal, to include the killing of bystanders; at times they face near extermination. A description of wars can be summed up in a single quote by J.F.C. Fuller, "National armies fight nations, royal armies fight their like, the first obey a mob, always demented and the second obey a king, generally sane." Thus, statism and democracy must lead to total war:

Most historians entirely fail to recognize the factors which replaced the "limited" war of the ancien régime by the "unlimited" war of our age. As they see it, the change came with the shift from the dynastic to the national form of state and was a consequence of the French Revolution. They look only upon attending phenomena and confuse causes and effects. They speak of the composition of the armies, of strategical and tactical principles, of weapons and transportation facilities, and of many other matters of military art and administrative technicalities. Moreover, all

these things do not explain why modern nations
prefer aggression to peace.¹¹⁶

Government by Plunder

A state is a territorial monopoly on the use of force and decision making. The use of force and decision making can be replaced by taxation and justice. Both statements have the same meaning and properly describe a state but can sound like they are defining two different entities. The truth can be altered but still have the intent to deceive which is a lie. The second definition is an example of exactly that. The words have been altered, but the intent to deceive is present. This is how the type of government is described. The word democracy is very often used, but rarely is the word thought about clearly. Demos means the “common people.” Are we just to accept government by the common people? Who are the common people? The government often takes actions many do not like. Are the dissatisfied not the common people? The common people are not the masses but the government. The most accurate way to describe government is a sulaocracy. “Sulao” is Greek for “plunder;” “-ocracy,” meaning, “government by.” After all, taxes are taken by force, so it is plunder. Therefore, the governments around the world are actually sulaocracies.

It should be clear the government is not a government by the people. Even with the goods and services they provide, they must first take your property prior to them providing a good, of which the

¹¹⁶ Ludwig von Mises, *Human Action*, 819.

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quality will be far lower than if provided on the market. A company on the market would have to convince you to voluntarily purchase what they provide. The government must plunder prior to providing an inferior good. Any form of government that does this should be correctly referred to as a sulaocracy. To be clear, it is not just democracy that is actually a sulaocracy, but a monarchy can take this form as well. Any form of government which requires the use of force to operate is a sulaocracy. Essentially, when a government goes from organic to inorganic, it becomes a sulaocracy. As Schopenhauer described it, “A hundred fools together will not make one wise man.” Monarchy is preferable because it started out as organic and has checks a democracy does not. A sulaocracy does not possess the checks on growth to be a reasonable form of government. Kuehnelt-Leddihn described it beautifully:

The characteristics of modern mass government are: a central organ increasing in totality and ubiquity, driven by emotions but employing bureaucratic staffs of varying qualifications and efficiency, and putting (more or less) knowledge and experience to the service of whims and emotions, thus placing the “heart” above the “brain.” Totalitarian dictatorships, though hampered by irrational doctrines, nevertheless rely more on the help of experts—and they are, in addition,

highly conscious of the fact that emotions can be
“manufactured.”¹¹⁷

The Social Contract

This is argument repeated more often than any other. Although not a very good argument, it must be addressed. It may be argued that you socially agreed to surrender your rights. Are rights surrendered? For example, all the people surrendered some of their rights when the constitution was written. We can even claim this is a fact. Fine, what about the succeeding generations? Can the rights be surrendered for every single person in perpetuity? The answer is no. The rights of their children may be surrendered until adulthood, but they would be free to make their own decision after that. So after the first generation, this “contract” would be void. We do not even need the entire generation to void this contract. It would only take one individual to not agree in society to void this contract.

Are you tacitly agreeing because you were born in a county or stay in a country? This argument holds that an individual cannot disagree with any state action, ever. You are providing tacit consent to every state action. What about the surrender of rights in only the areas of self-defense? This person can disagree with non-self-defense state actions. What if you disagree with the state’s “self-defense” actions? Mao, Lenin/Stalin, and Hitler thought what they were doing were in defense of the county. Other mass murderers thought the same too,

¹¹⁷. Erik Ritter von Kuehnelt-Leddihn, *Liberty of Equality: The Challenge of Our Times*, 119.

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or they would use the same excuse. Does this mean you agree to mass murder? Hopefully, most people, if not all, would say no to this. It is clear, there can be no tacit consent.

Suppose a man and a woman go on a date. The date is coming to an end, and the man invites her to his place. She enjoyed the date but declines to go home with him. The man does not like this very much. He forces her to go home with him and has sex with her. Did the woman tacitly consent to sex because she went on the date? She even had a good time. Did she socially agree to sex? The woman reports the incident. She says she was raped, he disagrees; he claims she tacitly consented to sex through a nonexistent contract. It is excruciatingly obvious, this is rape, not tacit consent.

The social contract theory is an abstract theory and an absurd one at that. There was never a “contract,” and the reasons for the theory can easily be destroyed. Statist of all stripes have used this ridiculous theory to justify state actions from small interventions to mass murders. To agree with the social contract is to agree the man did not rape the women in the reductio. Any logically thinking individual will see through this nonsense.

Aphorisms



- Democracy is a doctrine of submission; it exists when the slaves are convinced they are the masters.
- Voting is a more peaceful coup.
- Open entry is beneficial in the production of goods. Open entry is not beneficial in the production of bads.
- We do want to find out who is the most efficient food producer, but not who is the most efficient expropriator.
- Everyone can become king in democracy.
- The vast majority of politicians are babbling psychopaths overcome by parasitic greed.
- Taxes paid by a government employee are nothing more than an accounting fiction.
- What is right is usually what is most difficult.
- Democracy being the best form of government is the myth par excellence.
- It's impossible to understand capitalism, love humanity, and hate capitalism.
- Political science is not a science at all; it's a revolt against nature.
- Viewed objectively, politics violate property rights. Viewed subjectively, convictions will block the truth.

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- Opponents of capitalism are enemies of humanity, leftist are opponents of capitalism, leftist are enemies of humanity.
- The left and right are fundamentally and philosophically statist.
- As democracy spreads, personal liberty recedes.
- As democracy expands, the herd grows; as the herd grows, de-civilization expands, and the mind recedes.
- Nearly all are statist whether they know it or not.
- Democracy is socialism for the naïve.
- Envy is the driving force of statist ideologies, including democracy.
- Democracy is the future tyranny.
- Their souls are nourished by envy.
- Sophisms are an overgrowth in the mind of humanity.
- Property cannot be protected under democracy; property must be protected from democracy.
- Socialism is evil on its face; democracy is socialism in disguise.
- Democracy will lead the non-sheep to the slaughter house along with them.
- Democracy destroys your money and soul.
- A free democracy is a contradiction in terms.
- Parties emerge out of anti-market ideology.
- Democracy destroys values, wealth, civilization, and the individual.
- Democracy is conditioned by the inferiority complex.
- Politics is about the effectiveness of semantic confusion, more precisely, the effectiveness of lies.

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- The masses remain blissfully unaware of what is happening to all aspects of their lives.
- Their goal is not the protection of private property, but the protection of the leftist ideology.
- Good intentions will not make unsuitable means suitable.
- Bureaucracy restricts thought and human development.
- There is an absolute and immutable law, that is natural law. However, there is no absolute and immutable value, value is subjective.
- Common and civil law can be just as perverted as the other.
- State action strips you of your individuality.
- Politics is the antithesis of freedom.
- Some knowledge does arise absolutely independent of experience. The knowledge structure of the human mind is part of the collective unconscious; a tabula rasa cannot exist.
- Making the darkness conscious will open the pathway to pure intuition.
- It becomes more difficult to deceive the masses the higher taxes rise; states around the world have to inflate.
- The news spoon feeds you statist propaganda.
- Inflation is not a phenomenon, the cause is not in question, it's a product of human action.
- Statism is the destruction of consciousness. At which point, you only achieve partial consciousness and are incapable of making ethical decisions. Thus, are incapable of becoming an adult.

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- The state has knocked the herd unconscious. Self-education is required. Consciousness must be regained.
- Not knowing or not accepting the truth eats away the soul.
- Politics is drama and mind control.
- Dogs understand private property better than modern humans.
- You are your biggest burden. Nourish yourself from deep within. The psyche will erupt and relive the burdens you have created.
- You must look to the future, not the past, to free the psyche.
- Every system needs propaganda except capitalism. Capitalism delivers the goods, literally.
- Politicians are full time liars; a believable liar is a successful politician.
- You must be comfortable lying and/or shamelessly ignorant to be a politician.
- Existence is hazardous and chaotic; it is extremely hazardous and chaotic when philosophy and economics are not understood. While the masses remain oblivious, hazard and chaos expands, and logic recedes.
- Feeble minds are susceptible to propaganda. Feebleness is the essence of the herd.
- The biggest fault of mankind is the intrinsic denial of truth. It is also the greatest danger to the future success of mankind.
- Accepting the truth is what separates the higher from the lower. The honest one is the hated one.
- Wisdom and truth are inseparable.

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- Guilt from success will deteriorate future success. The feeling of reward will be replaced by the feeling of agony. Motivation is destroyed, when motivation is destroyed, the individual can no longer progress.
- Criticism against politics is considered blasphemy and the worst sin.
- Fiat money came into existence by a loan plus interest. Thus, more fiat money is owed than in existence. Therefore, the debt can *never* be paid off under current conditions. Repudiation is the answer.
- Economics is dismal from the statist's point of view.
- It is impossible to use a constant where everything is a variable.
- They are attacked as heretics for pointing out the logical inconsistencies of the state-idolaters.
- The absence of truth will lead to the progressive decline of humanity.
- Logic is progressively destroyed to progressively destroy liberty.
- Truth takes time, statehouses are its tombs.
- One must be brave before the enemy; the enemy is false ideas.
- They are armed with envy and lies. The use of indirect force is how the herd attempts to bring down the higher man.
- Convictions cannot exist in science and wisdom.
- Democracy can vote itself to tyranny—and it has.
- Democracy is wrongly confused with liberty, freedom, and prosperity. Democracy cannot coexist with liberty, free-

dom, and prosperity. Democracy is much more closely aligned to tyranny, barbarism, and poverty.

- The herd are overcome with envy and hatred of success. The herd is the enemy of the individual.
- Dependency on the state prevents the individual from becoming an adult. As long as the herd is dependent on the state, they remain a child. This is not different from the *mother complex*; it shall be called the *statist complex*.
- Members of the herd may not be alone, but their minds are always alone.
- As natural law recedes, positive law and sin expands.
- The individual is dead. The individual remains dead. And the collective has killed him.
- Politicians are the enemies of truth.
- In war, the masses become sacrificial lambs.
- Voting is not more effective than the task of Sisyphus.
- Politicians dangle a piece of fruit and the masses reach for it like Tantalus.
- Collective ideologies are a result of a search for a scapegoat.
- Man becomes impotent under statist ideologies, and the impotent man is attracted to statist ideologies.
- Power doesn't corrupt, it attracts the corrupt.
- De-civilization has begun when truth eats at the soul.
- War should be fought in the mind.
- They are all crisis-mongers.
- Democracy, fiat currency, and fractional reserve banking are symptoms of the decline of civilization.

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- The masses don't realize they owe nearly everything they have to capitalism—including their life.
- Advocates of the free market are the intellectual bodyguards of private property.
- The news reinforces what the masses think they know.
- Some do aim at deliberate error. If error is believed, they increase their power.
- If they believe this, they are incompetent; if they don't, they are liars. Either way, they are unfit.
- All politicians seek tools, successful politicians have found tools and fill their souls with filth.
- There cannot be a claim to morality by those who abandoned the gold standard nor by those who continue to support it.
- Demophiles are soulless automatons.
- Politics produces collective hysteria.
- Don't let it control you, don't suppress it, but rather, understand the monster that lurks beneath the surface.
- Strength of mind is required to accept the truth. The truth may prod at your soul, beat the demon back. The process is necessary to become whole.
- What is the purpose? To urge you to not drink the poison.

Conclusion



This is not exhaustive in which I explain every aspect of philosophy and economics. There are many aspects I have not explained. I have attempted to construct philosophy from the ground up, building upon the previous. I began with self-ownership, moved to interpersonal exchange, and political philosophy through the process of deduction. In fact, it is extremely difficult, if not impossible, to fully understand economics without starting at self-ownership. Private property must be the starting point. It is consistent all the way to the end. Self-ownership can be easily grasped, though deduction. The truth must be accepted, whether your convictions tell you to agree with it or not. However, the area of political philosophy will nearly always draw in convictions to block you from accepting the truth.

Under voluntary cooperation, nobody has power over anybody else nor can they aggress against anybody else. Many people will agree with this statement. In fact, nearly everyone would agree to this. But as soon it is pointed out many things in life don't happen voluntarily and that some people do have power and can aggress against other, there are many "buts." To think the state should pay for a good or service is to agree with the use of force. "One lives off the

other, one thrives at the expense of the other.”¹¹⁸ Not only is statism to agree with the use of force, indirect force is still force. Now, you must justify why the use of force is acceptable. Once you agree it is acceptable, there is no stopping point. We move to complete and total control by the dispenser of force. David D. Friedman pointed out a very clear contradiction:

“Producing laws is not an easier problem than producing cars or food, so if the government’s incompetent to do a good job of producing cars and food, why do you expect it to do a good job producing legal system within which you are then going to produce the cars?”

This is an excellent point. This is a clear contradiction in the thinking process. In fact, it is an error. Randolph Bourne said, “War is the health of the state.” If war¹¹⁹ is the health of the state, then peace must be the disease of the state. The state, therefore, is always clamoring for war. Peace, under the state apparatus, is unachievable. The truth of this statement cannot be denied. Any who oppose war must oppose statism. The state can never achieve—nor does it desire—peaceful and voluntary cooperation. If war is the health of the state, truth is the health of mankind. Just as Nietzsche pointed out, there are two types of people; those who want to know and those who want to believe. It is only when you allow yourself to know do you become truly conscious can you accept the truth. Lysander Spooner said it best in a brilliant but lengthy quote:

¹¹⁸. Walter Kaufmann, *The Portable Nietzsche: Twilight of the Idols*, 509.

¹¹⁹. War does not have to be an interstate war. Politicians engage in “class” warfare which is never defined. Politicians attempt to create war between sex, race, age, income, wealth, etc. There is no stopping point to what war they can create.

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The fact is that the government, like a highwayman, says to a man: *Your money, or your life*. And many, if not most, taxes are paid under the compulsion of that threat.

The government does not, indeed, waylay a man in a lonely place, spring upon him from the road side, and, holding a pistol to his head, proceed to rifle his pockets. But the robbery is nonetheless a robbery on that account; and it is far more dastardly and shameful. The highwayman takes solely upon himself the responsibility, danger, and crime of his own act. He does not pretend that he has any rightful claim to your money or that he intends to use it for your own benefit. He does not pretend to be anything but a robber. He has not acquired impudence enough to profess to be merely “protector” and that he takes men’s money against their will, merely to enable him to “protect” those infatuated travelers, who feel perfectly able to protect themselves or do not appreciate his peculiar system of protection. He is too sensible a man to make such professions as these.

Furthermore, having taken your money, he leaves you as you wish him to do. He does not persist in following you on the road against your will; assuming to be your rightful “sovereign” on account of the “protection” he affords you. He

does not keep “protecting” you by commanding you to bow down and serve him; by requiring you to do this and forbidding you to do that; by robbing you of more money as often as he finds it for his interest or pleasure to do so; and by branding you as a rebel, a traitor, and an enemy to your country, and shooting you down without mercy, if you dispute his authority or resist his demands.

He is too much of a gentleman to be guilty of such impostures, and insults, and villainies as these. In short, he does not—in addition to robbing you—attempt to make you either his dupe or his slave.¹²⁰

The mind is the most powerful object on the face of the Earth. Being the most powerful, it has produced ideas which lifted us above the rest of the animal kingdom, it can also destroy civilization and lead us to extinction. If false ideas and bold-faced lies continue to grip civilization, we, as humans, will cease to exist. Weapons, demonstrations, nor elections cannot make it recede into the abyss—only ideas can. The war on intellect must be won.

¹²⁰ Lysander Spooner, *The Lysander Spooner Reader*, 84–85.

Recommended Reading



This book, in no way, covers every aspect nor was not intended to. This list is mostly economics but does consist of some other subjects. This list should be read in a similar order to how they are listed. Life is too short to read bad books. This is not to say you shouldn't read authors who you disagree with. It is very beneficial to see how others think about certain situations and discovering their errors. You may even change your previously held view. However, it is important to avoid books that may not convey information at all. It may be poorly written, babbling, etc. These types of books will waste your time.

This list doesn't have to be followed exactly but don't start with *Human Action*. The first four are extremely short. After that, you will know more about economics than 99 percent of people—including politicians. It does get a little more difficult after that, but the order is designed to build up knowledge and prepare you for the next on the list. You must first crawl, walk, run, and then fly. Some books may need to be read a few times. Mises, Rothbard, and Hoppe have many valuable insights. It is unlikely they can be absorbed and understood on the first read. I recommend reading each one of them more than once. In a speech, Rothbard said every time he reads *Human*

Action, Mises gives him new insights. If Mises can give Rothbard new insights, he can most likely give all of us new insights.

*The man who does not read has no advantage
over the man who cannot read.*

—Mark Twain

- *Petition of the Candlemaker*, Frédéric Bastiat
- *Broken Window Fallacy*, Frédéric Bastiat
- *The Incredible Bread Machine* (poem), R.W. Grant
- *I, Pencil: My Family Tree as told to Leonard E. Read*, Leonard E. Read
- *The Law*, Frédéric Bastiat
- *Economics in One Lesson*, Henry Hazlitt
- *The Myth of the Robber Barons: A New Look at the Rise of Big Business in America*, Burton W. Folsom
- *The Anti-Capitalistic Mentality*, Ludwig von Mises
- *The Problem with Socialism*, Thomas DiLorenzo
- *Economic Facts and Fallacies*, Thomas Sowell
- *33 Questions About American History You're Not Supposed to Ask*, Thomas Woods
- *The Politics of Obedience: The Discourse of Voluntary Servitude*, Etienne de la Boetie
- *The Essential Rothbard*, David Gordon
- *Ludwig von Mises: Scholar, Creator, Hero*, Murray N. Rothbard

PURE POLITICAL PHILOSOPHY

- *Marxism Unmasked: From Delusion to Destruction*, Ludwig von Mises
- *Egalitarianism as a Revolt Against Nature*, Murray N. Rothbard
- *Law, Property Rights, and Air Pollution*, Murray N. Rothbard
- *What Has Government Done to Our Money?* Murray N. Rothbard
- *The Case Against the Fed*, Murray N. Rothbard
- *For a New Liberty: The Libertarian Manifesto*, Murray N. Rothbard
- *America's Great Depression*, Murray N. Rothbard
- *Second Treatise of Government*, John Locke
- *The Undiscovered Self*, Carl Jung
- *Liberalism: The Classical Tradition*, Ludwig von Mises
- *The Machinery of Freedom: Guide to a Radical Capitalism*, David D. Friedman
- *The Not So Wild, Wild West: Property Rights on the Frontier*, Terry Anderson and Peter Hill
- *A Century of War: Lincoln, Wilson & Roosevelt*, John Denison
- *The Mises Reader Unabridged*, Ludwig von Mises
- *The Rothbard Reader*, Murray N. Rothbard
- *Twilight of the Idols*, Friedrich Nietzsche
- *Human, All Too Human*, Friedrich Nietzsche
- *Leftism Revisited: From De Sade and Marx to Hitler and Pol Pot*, Erik von Kuehnelt-Leddihn
- *Liberty or Equality: The Challenge of Our Time*, Erik von Kuehnelt-Leddihn

MICHAEL DEVINNEY

- *Democracy—The God That Failed: The Economics and Politics of Monarchy Democracy and Natural Order*, Hans-Hermann Hoppe
- *Economic Science and the Austrian Method*, Hans-Hermann Hoppe
- *Thus Spoke Zarathustra*, Friedrich Nietzsche
- *The Ethics of Liberty*, Murray N. Rothbard
- *Theory and History: An Interpretation of Social and Economic Evaluation*, Ludwig von Mises
- *The Economics and Ethics of Private Property: Studies in Political Economy and Philosophy*, Hans-Hermann Hoppe
- *Man, Economy, and State with Power and Market, Scholar's Edition*, Murray N. Rothbard
- *Socialism: An Economic and Sociological Analysis*, Ludwig von Mises
- *The Theory of Money and Credit*, Ludwig von Mises
- *Human Action: The Scholar's Edition*, Ludwig von Mises

Pure Political Philosophy: Natural Law and Sulaocracy is by philosopher and economist Michael DeVinney. It clearly explains the impossibility of understanding economics without understanding philosophy. Properly defining ethics and morals, using deductive logic, the author applies economic laws to political organizations and identifies various psychological effects that result. To top it off, a recommended reading list is provided which is designed to progressively increase the reader's knowledge. This book is succinct, enjoyable, and hard-hitting. Michael has incorporated philosophy, economics, and psychology, accomplishing what no other has. This book is a must for anyone who desires the truth.

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Michael DeVinney works in mergers and acquisitions (M&A), is an economic expert, and a navy veteran. Through his extensive study of philosophy and economics, he wished there was a book that put it all together; *Pure Political Philosophy: Natural Law and Sulaocracy* was the result. He loves reading, working out, playing golf, going to sporting events, and most of all, his family. He currently resides in Arlington, Virginia.

