

Ten Pillars of Economic Wisdom

Guest post by Carl Watner, Kevin Cullinane, and Patricia Cullinane. Originally published in The Voluntaryist, February, 1987.

1. The art of understanding economics (whole systems of human energy transfer) consists in looking not merely at the immediate, but at the longer effects of any act or policy; it consists in tracing out the consequences of that act or policy not merely for one individual or group, but for all individuals and groups.
2. Nothing in our material world can come from nowhere or go nowhere (energy can be neither created nor destroyed), nor can it be cost free. Everything in our economic life has a source, a destination, and a cost that must be paid. "There ain't no such thing as a free lunch."
3. The State is not, and can never be, a producer of goods. Goods must first be produced by people, and everything that the State gives to the people, it must first take from the people.
4. Bogus money (nothing but numbers on pieces of paper) must not be confused with real money. Real money, an honest medium of exchange, is a commodity which serves as an "energy transmission and *storage tool*."
5. The only real money that the State has to spend is that money taxed or borrowed out of the people's earnings. Inflation occurs when the State increases the supply of *bogus* money by printing more or making bookkeeping entries. When the new bogus money is spent, it reduces the purchasing power of all the previous money in existence.
6. In our modern exchange economy, all payroll and employment come from customers, and the only worthwhile job security is continuous customer patronage. Customers are the sole source of payroll. They are, therefore, the true employers.
7. Because wages are a major cost of both production and service, widespread wage increases, without corresponding increases in production, simply increase the cost of everybody's living, including the fellow who insisted upon the pay "raise."
8. *Man's Material Welfare* (well-being) depends upon changing the form, condition, and location of *Natural Resources* through the expenditure of mental and muscular *Human Energy* aided by *Tools*. Tools are defined as all of the things used by man to improve his material welfare. Production increases only with increases in the quantity and quality of the tools, and the intelligence and diligence with which they are used. Man's Material Welfare = Natural Resources plus Human Energy multiplied by Tools. Thus, $MMW = NR + HE * T$.

9. Tools are the only one of the three factors comprising Man's Material Welfare that man can increase. Production of new tools requires self-denial in the present in the hope of increased profits in the future. In other words, savings must first be accumulated in order to pay for invention and production of tools. Freedom to enjoy the full profits (when there are any) from such self-discipline is necessary, or people will not save, and this will eventually result in a drastic reduction in the production of tools which will inevitably result in a diminution of man's material well-being.

10. Productivity of tools, that is, the efficiency of human energy applied in connection with their use, is highest in a free market society where the law of supply and demand operates without interference. Freedom of choice (made by millions of progress-seeking individuals, rather than the decisions of a few all-powerful politicians) always proves more efficient because everybody involved in production and exchange can be held accountable for his performance and be rewarded accordingly.