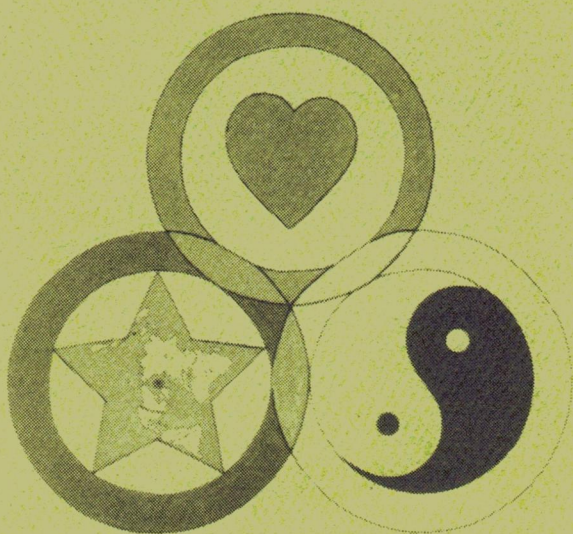


MOTHER NATURE'S

SECRET KEY

TO PROSPERITY



Fred E. Foldvary

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MOTHER NATURE'S SECRET KEY TO PROSPERITY

by Fred E. Foldvary

I. Social Prosperity

The secret is out.

There are no more excuses for poverty, unemployment, and depressions. Don't blame the poor. Don't blame any shortage of resources. Don't blame God or fate. Because the secret is out. Mother nature's secret key to prosperity has been out for over 100 years, but most folks didn't know about it. But now it's out. This is the secret:

THERE IS IN NATURE NO REASON FOR POVERTY.

This is the key to both social and personal prosperity, if we understand its significance.

Who discovered the secret? It's been known by a few people all along. Moses knew about it, and so did Thomas Paine and some of the classical economists. But the one who let it out was the American economist Henry George. In his book Progress and Poverty, he exposed all the excuses and false solutions to poverty, including government programs to help the poor. And this was long before the New Deal and "Great Society" programs. George showed why prosperity is the natural state of humankind, and how humans create poverty by blocking, kicking, and strangling poor mama nature. In his book Social Problems, Henry George broke the secret wide open with the most important sentence ever uttered in economics.

There is in nature no reason for poverty!

Prosperity is natural. Poverty is artificial. Unemployment doesn't "just happen". Society has to deliberately create it.

Though the secret has been out, it's still a mystery to most folks. But there's no reason to keep it a secret. Mama nature wants all her children to be happy and prosperous. But don't take my word for it. Just see if it makes sense.

Where Does Prosperity Comes From?

Have you ever seen a poverty-stricken lion? I don't mean in a zoo, but out in the wilds. There are no poor wild lions. Those beasts not only have full bellies, they spend most of their time lounging around.

There are no "poor" animals in the wild. Sure, once in a while they will have a bad winter or a drought, when food or water becomes scarce, and some may die. But over the long run, animals have plenty to eat. Those that need it have little trouble getting shelter, and a lot of them have plenty of time for fun and leisure. Any animals that were chronically poor died out, so the survivors are naturally prosperous in their natural environment.

Where does their prosperity come from? From the environment. Nature provides sunshine, water, air, soil, and living space. And if that is enough for the billions upon billions of plants and animals, why is that not sufficient for humans, even the 5 or 6 billion of us? With all our smarts, why are there millions of humans starving and living in constant poverty, when this is utterly unknown among other species? If nature is so good to the "dumb" animals, why are we humans having such a tough time, when we're supposed to be the smart ones, the ones who use reason and science? Because prosperity is natural, whereas it requires a conscious, intelligent civilization to create unnatural poverty!

What is Poverty?

Poverty is not just a lack of wealth. Real poverty means a person is not able to provide for his needs. Being poor means you can't feed and house yourself.

There is a mistaken notion that in the stone age, life was nasty, brutish, and short. But when we look at "primitive" people, whether the Eskimos in the North Pole or the Indians in the Amazon, we see a life that used to be not bad at all. There was food, there was shelter, and there was time for singing and dancing. The American Indians didn't have our technological goodies, no TV or cars, but they had great natural wealth and good lives. For the most part, the primitive hunter-gatherer peoples were happy, productive, and lived in mostly crime-free communities. They sometimes had wars, but the wars caused limited damage. Primitive people knew that their key to their prosperity was mother nature. Nature was the original "welfare state," but mama natura still required humans to work for their potatoes. The deer were there, but you had to go out and get 'em.

What Went Wrong?

Humankind truly did fall from the Garden of Eden. Exactly how it happened is not easy to tell, but we know that where there were once free people living from the bounty of nature, there came to be serfs, slaves, or peasants living in hovels, with barely enough to eat, and working themselves sick from dawn to dusk. Yet the land they were working was as fertile as before. Nature had not gone on strike. Clearly, someone was taking away the fruit of their labor. And this was no mystery, for there were "kings", "noblemen", church "lords", and other "aristocrats" who had power over the land and made their serfs hand over a big chunk of what they produced.

Right here we can identify the two reasons why the serfs were, and still are, poor. 1) Someone is taking away, by force, the product of their labor. 2) They have no access to nature's resources. If there were free land that they could go to, they wouldn't stay serfs, but would get land of their own.

So what happened was that a few people got in positions of power, where they had control over a certain territory - and so over nature's goods. The rest were then blocked off from access to natural resources, and were forced to use the resources controlled by the masters, and to turn over much of the wealth they produced to the masters.

We can see just this situation happening today in the Amazon. The native Indians were living very well in the Amazon, with plenty to eat. They produced shelter and medicine from the natural environment. But over the last decades and especially during the past several years, others have been moving in, chopping down the forests, pushing the Indians away, destroying mother nature's trees and soil. The Indians are being cut off from the source of their prosperity, and are being reduced to poor peasants living under the control of masters.

The Cause of Poverty

Even with today's several billion people on earth, there is no overall shortage of natural resources. A good measure of scarcity is the price of a resource, and when we look at commodities such as metals, grains, and meat, prices are often as low as ever in real terms. There is also plenty of space on this big earth. Some people claim that overpopulation is the cause of poverty. But there was poverty 200 years ago, when the population was ever so much smaller! There was grimy poverty 2000 years ago, for that matter. And saying that population is the problem is the same as saying there are not enough resources, and free-market economists from Henry George to Ludwig von Mises have torn that myth to shreds. Overpopulation can be an environmental problem, but it has never been an economic one for human beings.

All wealth is produced with three factors: land, labor, and capital. There is plenty of land on this earth. Labor? We have unemployment, so there is more than enough labor. Capital? We have factories working at less than full capacity. We have empty buildings, capital that lies idle. If we need capital, we can create more by applying labor to land.

If nature is the source of prosperity, and it is, then any lack of prosperity must come from something blocking off nature. There is in nature no reason for poverty. The lack of access to nature is therefore the cause of poverty. There is water, there is land, there are minerals; but you can't get to them. Therefore you are forced to work in areas controlled by others, where someone takes away most of what you produce, leaving you with a pittance after a long, weary day.

Where there is a wall between nature and man, there is poverty. Remove the wall, and there is prosperity.

Who put the walls there? What kind of wall is it? There is only one power that is able to separate man from nature over the long run: the state. Coercive government has blocked off equal access to nature's goods, and plunders the wealth created by labor and enterprise, creating both privilege and poverty.

What are the Walls?

In traditional agricultural countries, it is easy to see how this happens. In Central America, the land is rich, but most of the people are poor. Most of the good land is owned by a few people, and the farmers have to work in large plantations for low wages, or rent land, which doesn't leave them much for themselves. In Guatemala and El Salvador, the lands owned by the peasant farmers are tiny plots which don't produce enough to feed the families working them. The one exception is Costa Rica, where land is more equitably distributed, and therefore there is much less poverty.

How did this situation come about? In Latin America, it goes back to the Spanish conquerors, who took over the land and turned the Indians into serfs. The land and the government are controlled by descendants and heirs of the Spanish rulers. This is not free enterprise, since the farmers, workers, and consumers are made to pay taxes and rents to a few big landlords who derived their property by force rather than from voluntary exchanges.

The wall between the farmers and the land is, in this case, the monopolization of most of the land by a few families, backed by the power of the state.

How can equity be restored?

Communists want to overthrow the government, but experience has shown that they replace the old military/landlord tyranny with a regime that enslaves the entire population. The state becomes the monopoly landlord, plus the monopoly employer and monopoly seller, with civil liberties extinguished. But unless the original injustice is corrected, the Communists will continue to wage revolution, since the farmers and many workers see them as the only alternative to their current oppressors.

Land reform is being tried in El Salvador in other countries. But often when the big estates are split up and redistributed, it just doesn't work. Often the new lots are inefficient, or farmers don't have the capital to make the best use of land, or there are government controls which dictate what farmers can do. Another major problem is that redistribution only transfers land to some farmers, while many landless workers remain who don't benefit at all.

To solve the problem, let's look again at the cause: the wall government puts between enterprise and nature. The wall consists of a government-backed land monopoly, which has two components. The first is the protection of the land owners' titles by the government without the owners' having to pay for it. The second is the heavy taxation of labor and capital by the government to pay for this protection. The wall is made up of three layers, one being the monopolization of natural resources, another being a penalty on enterprise. The wealth produced by enterprise is twice stolen: once when the government taxes away much of the product, and again when the landowners take away more of the product in the form of monopoly rent. The third layer is the restrictions, prohibition, and regulations that the government imposes on enterprise, which protect privileged groups at the expense of enterprise and consumers overall.

The Austrian school of economics, which began in Austria and is now a world-wide group of free-market economists, has shown that an economy is most efficient and productive when people are free to use their talents and resources with no restrictions, so long as they are peaceful and honest. The free market is mother nature in the economic world. The animals in the forest don't need a dictator to tell them when to eat and how to get food, and they don't need food stamps for those who don't get enough to eat. As long as the environment is not damaged, each animal takes care of his own needs, often in cooperation with others. Human beings were able to do this also until recently in our history. Given access to resources, humans can take care of themselves, and each person is the best guide as to what he needs and wants. So the free market is simply each person satisfying his needs in voluntary cooperation with others, without any walls being put in to stop people from doing what they want to do.

Let the Walls Come Tumbling Down!

Mother Nature can't work well if she is hemmed in by the wall of government controls. Some folks think regulations protect the worker or the consumer, but too often they protect privileged interests who get a monopoly or subsidy at the expense of the public at large. Mother Nature only has one rule: don't harm others. Any enterprise or activity that is done among consenting people, any thing that a person does just to himself, or any act that is voluntary and is not forced on others, should be unrestricted. Nature's law, also called natural law, would only prohibit the invasion of others' property. That includes murder, theft, fraud, and destruction. For nature to provide prosperity, the wall of regulation must come down.

Taxation is another wall between people and nature. Nature provides rewards for labor. You pick ten apples and you have a nice meal, and maybe you can save a couple to eat later. But here comes the state, like a thief, to take away some of your apples. Washington DC wants 4 apples. The state government wants two of them. Local government also wants one. You only have 3 apples left. Is it any wonder people don't have enough to live on? If you hired some workers to pick apples you might have paid them 6 apples each, but with the state taking away most of the apples - via Social Security taxes, income taxes, payroll taxes, unemployment taxes, disability taxes, taxes on benefits, all in triplicate forms - it's just not worth it. Taxation not only makes us poorer, but destroys jobs too. For nature to provide prosperity for all, the wall of taxation must come down.

The other wall is the monopolization of natural resources. Nature provides two types of resources: space and raw materials. These two together are called "land". All wealth comes from raw materials, which labor and capital refashion into goods. All economic activity needs space in which to work, and not just a certain size of space but also space in particular locations. And there is an interesting paradox about nature's resources. There is a tremendous amount of space in the form of land surface or sites, yet the total amount of space is fixed. There are tremendous amounts of raw materials, yet the total amount of resources such as minerals is also fixed. Capital can always be expanded, since it is a product of human effort. But natural resources cannot be expanded, since these are products of nature, which provided them once and for all. There is only so much good land. Because sites and raw materials are in fixed supply, they can be monopolized much more easily than labor or capital. You can bring in workers from outside, but you can't bring any more land if it's all been claimed.

But such a monopoly can only be maintained by force, and only the state can provide that force for long. Remove the power of the state, and the monopoly wall will come tumbling down.

This does not mean that we take away anyone's property. We only remove the state subsidy, and let the owner provide for his own protection or else pay the government or a protective agency if he wants its protection.

Where does land get its value?

Capital usually gets its value from its production cost. Competition will reduce profits to a roughly equal level, so the cost of production will normally determine the cost of capital, except for the unusual cases where a particular item of capital is something you can't manufacture any more of, such as rare coins.

But land has no cost of production. Mama nature produced it for free. People can come and claim land, and then it has a price, but the price did not come from its cost of production. The value comes from the demand for land, which is a function of the population around the land, the usefulness of the raw materials, and the desirability of the space's location. The capital invested in the area by the community, such as streets and water pipes, as well as the protection offered to the land owner add value to the land. Most of all, the land gets its value from the recognition by the community of the owner's title to the land. The owner is able to collect rent from the site because the community agrees that he can control that space.

That's all well and good. But if the owner gets all these services, but doesn't pay for them, what does it mean? It means that the workers, enterprises, and consumers are paying for the services that the landowner is benefitting from. And if they are taxed to provide the police protection and public works that give value to the landowner, they are twice penalized, because they must also then pay rent to the very same landlord that they subsidized with their taxes in the first place! The landlord gains both rent and taxes, while the others have to pay twice.

The remedy should be obvious. Eliminate the subsidy. Let the landowner pay for his protection, recognition, and public works, if he wants them. If he chooses not to pay, then he is on his own to protect his site, like any animal in nature who occupies a given territory. Since the value of land derives from these services, the payment for the services should logically be based on the value of the land served if they are not based on direct fees for specific services. For example, the cost of national defense would be paid by the owners of the territory being defended at proportional to the value of the land.

Once this is done, it eliminates the monopolization and subsidy on owning land. This also frees up idle or underused land, since the owner must now pay for its protection and access to public works, and to justify it he would usually put it to productive use. A more efficient use of land also boosts employment.

As the libertarian writer Frank Chodorov wrote in his collected works, Fugitive Essays, there is a difference "between property acquired through privilege and property acquired through production." When the privileges are eliminated and tribute is no longer extracted, then people can apply their labor to nature and prosper as equals.

The Power of Nature

The elimination of restrictions, taxes, and subsidies leaves everyone on an equal footing, equally free to pursue their well being. With no more walls to stop them, there is nothing to prevent people from providing for their own needs, and becoming wealthy if that's what they want.

Prosperity comes from the people applying their labor to land, with the use of capital. Government cannot create prosperity. It can only temporarily boost production by artificial stimulus, or take wealth from some to give to others, which does nothing to increase the total amount of wealth.

"There is in nature no reason for poverty." When the barriers to enterprise are removed and people can keep the fruit of their labor, people's natural desire to live well will automatically create prosperity. This is natural law at work in morality and economics. Natural moral law gives people the natural right to live and work as they like as long as they don't invade others' property. Natural economic law then results in abundant prosperity as the free market efficiently draws people and resources to markets. Government has a natural role in enforcing natural law, and leaving the economy to the spontaneous order of the free and natural market.

We know that when we interfere in a natural environment, it can bring on an ecological disaster. Kill off the lions, and the deer multiply and eat up the plants, and then the rains come and wash away the soil, so that the deer then starve, and nothing is left. It's the same with an economy. Rent control destroys housing, price controls create shortages, and taxes on labor and capital create unemployment. Leave nature alone, and nature will provide.

There is, in nature, no reason for poverty!

II. Personal Prosperity

In most places you can become prosperous despite the walls that government has erected to subsidize privileged groups. You can overcome the walls, try to avoid them, or even take advantage of them.

The two ways of gaining wealth are through competition and through monopoly. There are two types of monopoly: coercive and natural. If you use the power of the state to gain a coercive monopoly, such as a law that eliminates competition, then you prosper through legalized theft. But a natural monopoly hurts no one. This can be a labor monopoly of talent or a capital monopoly of an invention or creation. The ownership of land where the owners do not pay for the service which give value to the land presents a monopoly which one can take advantage of by owning real estate using the leverage of borrowed money.

Most people gain wealth through competition, by working in jobs or businesses in competition with others. Those who are most successful find ways of rising above the competition and becoming a natural monopoly by offering unique services or becoming indispensable to their customers and bosses.

Natural economics can help you become prosperous by learning the nature of wealth and how it is obtained.

How You Can Put Nature to Work for You

The key to natural economics is knowing the three factors of production and how they work.

The three factors are land, labor, and capital. All wealth is produced from these three factors. All you need to get rich is land, labor, and capital!

Labor - that's you. Labor is the most important component. But what is labor? When I say "labor" I'm talking about economic labor. It's not just the work of certain people, and it's not just any old work. Economic labor is a specific type of work.

Economic labor is human exertion used to produce wealth.

If you work hard at a puzzle, that may be work, but it's not economic labor if you throw away the puzzle afterwards. Only if wealth is produced is it economic labor. And it doesn't matter whether an executive is working or a ditch digger. Both produce wealth, and both do economic labor. It also doesn't matter whether the worker is paid a salary or is working for himself. What matters is the production of economic wealth.

And what is "economic wealth"? How can you get wealth if you don't know what it is?

Economic wealth is any tangible good produced by humans which has intrinsic market value.

Tangible. That means you can touch it. Health is good, but it is not economic wealth. Knowledge is useful, but it's not wealth. Wisdom is not wealth, either. Wealth must be tangible, something physical. If you want to become wealthy, you'd better get physical.

Produced by humans. Natural resources are not economic wealth, though they are valuable. Land is personal wealth, but not economic wealth, because you can't make any more of it. You can buy some, but if you're going to CREATE wealth, I dare you to create some land! Show me how, and we'll both get rich. And draining a swamp doesn't count. What do you think was under the swamp - empty space? If labor produces wealth, then obviously labor can only produce a product of human effort, and wealth must be a product of human effort. Land can only be transferred among humans. Wealth is created by humans. If you want to get rich, you'd better know the difference.

Market value. There's the big one. That means you can go out and sell what you produced. There are ready buyers for your product, once you let them know about it (that's advertising). A picture of your grandma may be important and valueable to you, but if no one else wants it, its not wealth.

Intrinsic. That means an object has value in and of itself, and not just be a symbol for value. For instance, if I buy a car from you and I give you an IOU for \$1000, this IOU has value to you, and if my credit is known to be good, you can exchange it for food at the local market. So my IOU has market value, but has the total amount of wealth increased when I signed the IOU? If so, then we could all get rich just by signing IOUs! An IOU has value as a claim on wealth, not as wealth itself.

A bond is an IOU issued by a company or government promising to pay money at a certain date, usually with interest payments along the way. Bonds are also claims on wealth. If the company goes broke, what happens to the value of the bond? If the claim is unmet, the promise to pay unkept, the value goes to zero. Economic wealth never depends on any promise to pay since it has intrinsic, real value.

Is money economic wealth? Paper currency is essentially a non-interest bearing note, like a bond. It is a recognized claim on wealth that is accepted by all people in an area. On the other hand, gold and silver coins are economic wealth, since they have intrinsic value. Gold does not depend on anyone's promise to pay. Of course, in everyday life, the federal reserve notes and token coins we use for money have exchange value, so we think of them as personal wealth. But they are not economic wealth.

This fact is not understood by many people. Some folks think the government can create wealth just by handing out more money. But if the government handed everyone a \$1000 bill, would this increase the amount of wealth? All this does is increase the claims on wealth, which benefits the first people to make good on their claim, but soon the money buys less wealth as prices go up to meet everyone's claim.

So bonds, cash, and bank accounts are important and there's nothing wrong with having them, but it's important to realize that these are all claims on wealth, and the purpose of these is to eventually claim - or buy - the actual wealth.

Going back to labor, when you exert human effort, the aim is to produce economic wealth. You may be paid in currency, or claims, but what you produce is wealth and what you eventually consume is real wealth.

A side note on services. Are services also economic wealth? Some economists have said no, but there is really no sharp line between services and goods. Is a restaurant meal a service or a good? It's both, and it's not economically important how much of it's one or the other. A service can be considered to be wealth that is instantaneously consumed.

Capital

The next factor of production is economic capital. Economic capital is wealth that is used to produce more wealth. If you consume wealth such as clothes or food, then it's not capital. But a factory is not produced in order to be eaten, but to help produce other goods, such as food. Where an item is capital depends on how it's used. If you use your car for pleasure, it's not capital, but if you use it as a taxi to earn a living, it's capital.

A businessman often considers his cash to be capital, but the reason he needs the cash is to buy real wealth, such as machines, buildings, and inventory. In economic terms, capital is a type of wealth, and your economic capital is the wealth you own which you are using to produce more wealth.

Capital is a type of leverage, and is a key to increasing productivity and wealth. You can catch more fish with a hook than with your bare hands, even if it takes a while to make the hook. Capital multiplies the power of labor, and that's how the industrialized world has become wealthy. But all capital was originally produced by labor, and if one doesn't have capital, one has his labor, which can be used productively to create capital.

Land

Land, or economic land, is everything that is not economic wealth and not human beings. For practical purposes, land can be considered to be natural resources. As described earlier, land has two components: raw materials and space. The space that matters most is the solid surface area of the earth, which we can call "sites". There are two economic characteristics of land: 1) nature made it. 2) nature isn't making any more of it. The amount of land is fixed. Remember that land is not economic wealth. People do not produce it, but they can claim it, control it, and make use of it. All wealth needs land to be produced, both as the source of the raw materials and as the space in which to create the wealth. This includes not just the size of the space, as I said, but the location relative to the other factors, such as labor, sunshine, climate, and customers.

The Factors of Distribution

Once the wealth has been produced, where does it go? Each of the factors of production gets its share of the wealth.

The share that goes to labor is called wages. This includes salaries, fees, commissions, and self-employed wage income. When you pick an apple out of a tree, the apple is your wages.

The return on capital is called economic interest. This is not the same as "interest" in the ordinary sense of the word. When you "rent" a car, you are really paying the owner interest on his capital, the car. If you borrow money from a friend and pay it back from your wage earnings, this is "interest" in the personal sense, but it's not economic interest, since it was not a return on capital. Economic interest is the wealth you get from loaning out your economic capital, such as tools, buildings, and machines.

Economic rent is the portion of wealth that goes to the owners of land. What we normally call "rent" isn't always economic rent. For example, if you rent a house, part of the "rent" is really wages that the landlord earns for his labor in maintaining the house. Part of it is economic interest for the use of the building, which is capital. The rest is economic rent for the use of the land, or the site on which the house sits.

The factors of production and distribution can be shown on a diagram:

Land	\	/	Rent
Labor	-	Wealth	- Wages
Capital	/	\	Interest

What about taxes? Taxes are taken after the wealth has been distributed to one of the three factors. Taxes can be applied to rent, wages, or interest. Wealth cannot be taxed until it has been produced.

Similarly, theft, gifts, and other transfers take place after the wealth has been produced. So one can obtain wealth without producing it, but only by transferring it from those who did produce it.

The Road to Wealth

There is nothing mysterious about gaining wealth. But understanding natural economics can clarify the process, for the simple truths are often the least obvious. Clearly, with all the poverty and failures around, most folks have not grasped the clear principles of nature's economics.

You can get wealth by one of three ways: produce it, win it, or transfer it from someone who produced it.

You can get wealth transferred to you by getting a gift, or by stealing. A gift is a voluntary transfer, whether it is a present from a friend or a grant from a foundation. Inheritance is a type of gift, as is charity.

A government transfer, when the wealth was taken as taxes and then transferred to others, is not a gift, since the producers did not voluntarily hand over the wealth to the government. Government transfers are a type of legalized theft. Any involuntary exchange is a theft.

Though stealing is a possible way of gaining wealth, it is, of course, socially destructive. Many try this as a short-cut to wealth, but it violates natural moral law and puts the thief at risk of detection and punishment. My aim here is to describe ways of gaining wealth that are in harmony with natural law, and which don't leave you in fear of getting caught, and at risk of losing your wealth and your life.

You win wealth when wealth is transferred to you without your having created it and without it being a gift. Ways of winning wealth include winning a contest, gambling, or speculating. A win is a zero-sum exchange, where your gain is offset by someone else's loss.

Speculating is guessing which items of wealth will increase in value relative to others. If you own X, but think that Y will go up faster than X, you exchange X for Y. If the value of Y doubles relative to X, you can then trade one Y back for two Xs. You have increased your wealth without producing much except for the relatively minor labor involved in studying the market and making the exchange, and the minor rent on the space the wealth takes up. Some people, though, devote all their labor into making such exchanges, in which case much of the gain becomes wages. But if you idly buy a gold coin, and it doubles in value, and then you sell it, the labor is not really significant, yet you have gained wealth. The effect is similar to that of a gift. Wealth has been transferred more than it has been produced. The coin has simply changed hands. The coin dealer does produce wealth since he facilitates the marketing of coins, and the distribution of wealth is part of its production.

Gambling is another type of winning, where you try to guess which way a coin will flip, a wheel will roll, a card will turn up, or which horse will run fastest. The effect is the same as winning wealth by guessing which commodity will go up relative to others.

Many books have been written about how to get rich by predicting various markets, whether in stocks, bonds, precious metals and other

commodities, real estate, and currencies, or by guessing right in gambling. If you are good at predicting the future, it is one way to gain wealth. Most people are not good at this, and they often lose big. In a perfect world - that is, if all information were known to everyone - any gain would depend on pure luck. But the economic world is quite imperfect, in the informational sense, so those who have inside knowledge about a stock or commodity, or gambling device, can generate a lot of wealth. Studying market imperfections involves labor, and making money by digging out special information becomes a type of arbitrage or market-smoothing activity, which then creates rather than merely exchanges wealth.

Most folks can't depend on winning wealth regularly. For most people, the road to wealth lies through the creation of more wealth. Ultimately, wealth has to be produced first before it can be transferred or won, and this is the surest way of gaining wealth.

The Production of Wealth

We saw that land, labor, and capital are the factors of production, so any wealth created must be by one or more of these factors.

Labor is how most people earn a living and gain wealth. In a free market, the overall wage level is determined by supply and demand. The supply side has two types of labor: expandable and monopolistic. Monopolistic labor means that it is difficult or impossible to get any more of that type of labor. If you can into a monopolistic situation, you will get super-rich! Examples of monopolistic labor are movie, music, and sports stars. Why were the Beatles able to earn millions from their music? Because there was only one Beatles group - they had a monopoly on Beatles music. That's why stars can earn millions from their performances. Get into a situation where you offer a unique service which has a huge demand, and you will earn millions. This usually requires talent, but also a good deal of work to develop the talent and often a bit of luck to plug into the right connections. Patents and copyrights protect the monopoly once you get it.

The overwhelming majority must labor at expandable types of work, where one competes with many others offering the same type of skill. In a free market, there will be a general wage level which depends on the natural resources available, the capital and technology, and the skills of the workers. On top of the wage level will be differences in wages depending on the talent and skill of the worker and the supply and demand of that type of work. The road to wealth usually begins with labor, and the first step is, not surprisingly, education of the type required by the job.

The next step in the road to wealth, after laboring for a while, is to become a capitalist. While you labor, save as much of your earnings as possible. If you can speculate wisely, so much the better, but there is a vicious trap in investing - greed. If you take too much of a risk trying to double and tripple your money, you could end up losing everything. There are plenty of books on investing, so I won't devote much space to that. Young people are often advised to take greater risks, since they can always earn more funds. This may work out if you plan to labor all your life, but if you are saving for something important, it's best to be very cautious with your investments. Unless you have some special situation, it might be better to be conservative with savings, keeping vital funds in secure interest-bearing accounts, plus some gold and silver as insurance against banking crises or sudden chaos.

Unless you have some monopolistic position as a show star or a major executive of a corporation, the road to high wealth must eventually branch out away from ordinary wages. As entrepreneur with your own business, you can break out of the market limitations of expandable labor. But it must be an enterprise with a promising pay-off. The corner grocery can result in lower wages than you had as an employee. Again, there are many books and classes on business which can guide you. What natural economics can do for you is to clarify how the economics of enterprise works. Part of the return on an enterprise is actually wages, the wages you pay yourself from the earnings of the business. By working for yourself, there is no limit to how high the wages can go, in contrast to working for another. The trick is to know a market so well that you can have confidence of meeting the demand with a supply that will leave you with a healthy wage.

Another component of an enterprise's earnings will be a return on the capital invested. This can be calculated by figuring out how much it would have cost to borrow the capital. For example, if you are an independent taxi driver using your own car, part of your earnings is a return on the car capital. If you earn \$100 per day, but would have had to pay \$50 per day to borrow a car, \$50 of your earnings is a return on capital, and only \$50 is wages. It's important to figure out your true wages to determine how well you are doing, and if you are better off than if you had invested your capital elsewhere.

Like labor, capital can be monopolistic if you control the total supply of a certain type of capital, such as a computer or book. Patents and copyrights protect your monopoly, and the road to wealth through capital usually depends on some type of monopoly like this.

You can become a capitalist without having to run your own business, by lending capital. If your savings are invested in shares of a business, the interest earned is a return on capital (it can also be a rent return on the land owned by the business). Savings accounts in banks are often indirect investments when a bank loans out the savings to an enterprise. An investment, properly speaking, is a return on capital rather than a speculation on price movements. It involves the creation of wealth rather than an exchange of funds between winners and losers. There is nothing wrong with speculation in itself, but a person "investing" his funds should be aware of the difference. Speculation is inherently risky, whereas investment in capital depends on the natural market rate of return paid by its borrowers.

Rent on land is the third way wealth is distributed, and this can be a road to wealth by itself. When a farmer owns his own farm, his earnings come from the wages he pays to himself, the interest he earns on his capital such as tractors and barns, and rent from his land. If he had to rent land from someone else, his earnings would be that much less, so the amount his land would rent for constitutes rent he is earning even though no money is changing hands. A landlord renting a house earns wages on the work he does, interest from the capital consisting of the building and other improvements, and rent from the site. A wise landlord will calculate how much of his income is coming from each of these three factors. For example, he may be working for zero wages, after considering the return on capital and land!

While labor can be monopolistic if the worker has a unique talent or position, and capital can be monopolistic if a unique product is protected by patents, trademarks, and copyrights, land space is always monopolistic. A raw material is usually not monopolistic unless it is a

scarce product, such as certain gems, which have a price much above the cost of production. But land as space or sites is always monopolistic since the total surface of the earth is fixed. Economically usable sites are a tiny fraction of the space, and the amount is scarce. As the saying goes, they ain't makin' any more of it! Real estate is therefore a well-travelled road to wealth. The key to real estate is to realize that it's the land that rises in value, not the building, though a good building can maximize the price of the land beneath it.

Because land is a product of nature and in fixed supply, its rent is the natural source of public revenues, as shown in the first part of this booklet. Unlike taxes on labor and capital, using rent for public funds does not hurt production. Mother nature's key to prosperity is therefore to leave capital and labor unrestricted and untaxed, and derive public funds from user fees, which would include a "site protection fee" paid by owners of land to have their titles recognized, their land protected, and access to transportation granted. The rental payment to the community would be a payment for these services rendered.

But, facts is facts. The U.S.A. and other countries do not live by mother nature's laws, but instead heavily tax labor and capital and subsidize land ownership with public works, protection, and recognition, very little of it paid for by land owners. One may as well take advantage of the situation.

First of all, however you earn a living, it would be wise to own your residence rather than rent. As population grows and the demand for land increases, the cost of land must go up relative to other prices, even apart from inflation. It doesn't go straight up, but in the long run it must go up as long as the population and overall wealth is increasing. Add to this all the tax breaks, and it makes sense to own your residence even if you have to start with a small place in a modest neighborhood (though not in a slum).

Some people have made real estate into a business, buying up house after house, a string of apartments, and commercial buildings for the big time. Location in a growing, wealthy, and tax-favored area is the key, using borrowed money for leverage. In today's economic climate, real estate is one of the best roads to wealth for the average person, and as usual there are plenty of books, classes, and gurus available. All they are doing is, consciously or not, putting mother nature to work.

Keeping Wealth

It's not enough, in this era of high taxes, to gain wealth. You need to be aware of the many taxes that want to bite off chunks of your wealth. There are many sources of information about taxes, and a key to keeping wealth is to minimize taxes without sacrificing wealth just to avoid taxes.

Psychic Wealth

You now have a map of the road to economic wealth. Land, labor, and capital produce all wealth, and you at least have your labor, which you can make the most of with education. Using capital, land, and any monopolistic advantage you can get will lead to high wealth when you know the markets well.

But there is another type of wealth - psychic wealth. Besides monetary income, psychic income is the pleasure you derive from your

work or activity. Often people will work at jobs which pay less than others they could have if the psychic income is higher - the satisfaction, pleasure, and other intangible rewards. Psychic wealth is the amount of happiness you have in your life situation, and in the final account, psychic wealth is what really counts.

As we travel the path of life, it's wise to check on your goals now and then. The first thing to think about is whether you are pursuing the right goal. Is it a goal that will get you the most psychic wealth? Economic wealth can bring psychic wealth, but your environment, activities, and relationships can be even more important.

Given this goal, you need the talent, the knowledge, and enough wealth to finance it. You need to have the drive, discipline, and resourcefulness to keep you on the path, and the perseverance to carry you to the end, without neglecting your physical and emotional health.

To be truly successful, you should also have a sense of perspective on life. You should strive to a high state of consciousness. This is not some mystical trip, necessarily. A super-conscious person has a high awareness of the world situation, the culture he lives in, and his personal values.

A highly conscious person is aware that the beliefs of society are a product of culture - of social programming - and not necessarily universal truths. He knows also that there are laws of nature which govern the social as well as physical world. And he knows that there is a natural morality that is universal in humanity, and that it is the essence of being human to have the self-control and ability to make reasoned choices. The highly conscious person will be aware of the consequences of his actions and therefore will be very careful in making decisions.

In Tales of Power by Carlos Castaneda (Simon and Schuster, New York), the Mexican Indian Don Juan spoke of the person on the path to power as a warrior. Whatever path you take, personal power is at stake, if only power over your own life. Don Juan said:

"What matters is that a warrior be impeccable."

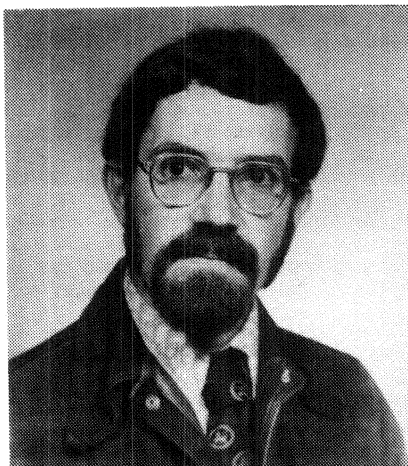
"A warrior takes his lot, whatever it may be, and accepts it in ultimate humbleness. He accepts in humbleness what he is, not as grounds for regret but as a living challenge."

The key to impeccability is the sense of not having time. Time is the most common yet the most valuable resource. A warrior makes the best use of his time at all times. All mother nature can give us is time, matter, and space. Your life is the matter in your body and the time experienced by your mind. Economic wealth turns time, matter, and space into goods which you can control to maximize your psychic wealth.

Don Juan also said, "Personal power decides who can or who cannot profit by a revelation."

Few people profit from books or courses. Few will buy them, fewer will read or listen to them, fewer will act on them, and fewer will benefit from their actions.

Mother nature's secret key to prosperity is now within you. You now have the choice of using it. I wish you the best of success.



About the Author

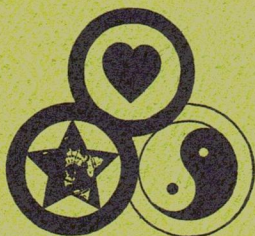
Fred Foldvary has been an author, editor, and publisher. He is the author of The Soul of Liberty, a book on social issues and freedom. Foldvary has been the editor of Topical Time, a hobby magazine, and The Libertarian Digest. He has also written numerous articles on economics, philosophy, philately, and computing.

Among the organizations Fred Foldvary has held leadership roles in are the Libertarian Party, where he has served as Chair of the Alameda County, California, group; the Henry George School of San Francisco, where he has served as President of the Board; Embarcadero Credit Union, where he served as Board President and Chairman of the Supervisory Committee; and the Permit Imprint Collectors Society, a philatelic organization he founded. He was a libertarian candidate for state assembly in 1984.

Fred Foldvary has a degree in economics and computer science from U.C. Berkeley. He lives in Berkeley, CA, with his wife and two cats, and enjoys music, nature, reading, working with his computer, and discussing philosophy.

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About the Booklet

Mother Nature's Secret Key to Prosperity shows how we can use nature to become prosperous both as a society and as individuals. The key is an understanding of natural economics, which tells us that prosperity is the natural state of humankind, and that poverty is an artificial situation.

You can use the laws of mother nature to become wealthy, and this booklet can serve as your guide to personal prosperity.

The first portion of the booklet gives you nature's key to social prosperity. It shows why there is poverty and unemployment, and how they can be eliminated. The second portion shows you how you can use nature's economics to gain personal prosperity and wealth. It is not a "get rich quick" scheme or an investment manual, but an introduction to the principles of natural economics, which are the basis for wealth no matter where you live.