## We are a part of something greater than ourselves. The Market Process and Spencer’s ‘Social Organism’.

Just like the human body-organism and the numerous “systems” that coordinate it like the respiratory-nervous-digestive “systems”, are the result of the actions of some 70 trillion human and bacterial cells but obviously NOT the result of any conscious planning or designing by them, and thanks to the likes of Darwin and a modern understanding of genetics we can understand how ‘natural selection’ was the inadvertent “designer” of such systems and complex order, the modern global socioeconomic order-‘Social Organism’, is also coordinated by a “system”, by what economists of the so-called ‘Austrian School’ like Ludwig von Mises and his great protégé F.A. Hayek, referred to as “The Market Process”. ‘The Market Process’ and the “parts” it is composed of like money, prices, economic competition, interest rates, and the legal-religious-governmental frameworks that sustain it, “are indeed the result of human action, but not the execution of any human design” [(Adam Ferguson)](https://www.adamsmith.org/blog/adam-fergusons-great-insight) similar to how cells inadvertently-unconsciously act to create the systems that coordinate multicellular life. The ‘market process’ shares this trait with language which is also a complex mechanism that is the result of human action but was not consciously designed or invented by people-cells. It took about one billion years for natural selection to evolve the numerous complex biochemical ‘systems’ that allow single cells to cooperate leading to multicellular animals. Sometimes these mechanisms fail and the cells revert to their solitary ways and replicate wildly, in other words, they become cancerous-tribal or uncooperative and prematurely destroy the larger multicellular organism-order they were a part of. Similarly, it took about 50,000 years for natural selection to evolve ‘the market process’ which reordered tribal homo sapiens into cooperative members of the ‘Social Organism’. Unfortunately, the economically ignorant tribal slightly smarter apes intuitively turn cancerous when they destroy ‘the market process’ via coercive central planning-Socialism because it inadvertently destroys-diminishes the freedom of individuals which is vital for the functioning of the ‘Social Organism’.

## Economics

### Production and Consumption.

Whenever a person works he uses the information in his mind to reorder matter, the trillions of atoms he is made of, to produce his labor and whatever wealth it creates thus increasing the economic pie. If you are a freelancer you produce a product-service-wealth and trade it directly with society (customers) for money, and then trade the money back with society for the wealth you consume. If you work for a company, you produce your labor and trade it for money with your “employer” who combines it with the labor of others to produce a product-service-wealth which is then traded with society for the money from which your paycheck comes. Whether you are a freelancer, employee, or company, what is commonly referred to as sales revenue (your paycheck), is an estimate of the total amount of wealth produced. Costs, like employee wages which will be used by them to consume wealth(food,energy,etc.), are an estimate of how much wealth is consumed from the economic pie. And profits, which are the difference between sales revenue (production) and costs (consumption) are an *estimate* of by how much additional wealth the economic pie has grown. Again, a profitable order is an order (cell-person-company) that produces more than it consumes and is therefore self-sustaining-alive. The global economy or ‘Social Organism’ is really a vast collection of orders-people-companies that are constantly trading with each other, nourishing each other, each trade taking each participant-order from an inferior to a superior state of well-being from its own perspective, otherwise the trade would not occur. When Carl trades a dollar for a hamburger he values the hamburger more than the dollar and the restaurant values the dollar more than the hamburger so the action of trading takes place, which like all action which is not coerced, takes each participant from an inferior to superior state of wellbeing.

If a teenager uses a tree-trimmer to produce one mowed lawn valued at $50 in 10 hours, his ‘rate of production’ is $50 / 10 hours = $5/hour. If next month he uses a riding lawn mower and mows the same lawn in 1 hour, he has increased his ‘rate of production’ 10-fold to $50/hour. Profit-loss calculation motivates and enables all orders-people-companies to guide their actions in the most profitable and thus pie-increasing way, and, very importantly, it also prevents orders from consuming more than what they produce. Unless, of course, they are the benefactors of charity. The wealthier a person-company-order is, the more this order has produced and exchanged for all this money-wealth. Jeff Bezos is one of the world’s richest men because the social order he helped shape and successfully managed, Amazon.com , has been one of the most productive in the world. We know this is the case because millions of human beings traded their money-wealth for its products-services.

Since production is just a transformation-relocation of existing matter-wealth (“fashioning of imperishable matter into more advantageous shapes”), the production of wealth requires the consumption-use of existing wealth. For example, if 10,000 men are to spend 2 years producing an airplane factory, they must consume-use the concrete-materials-food-energy-transportation-shelter-wealth that they (as well as their dependents-family) need while they produce the factory. In other words, there can be no production if there does not already exist enough saved wealth that can be consumed while production takes place.

### Money.

More money does not equal more wealth. Imagine if everyone in the world suddenly had an extra billion dollars. Would this make society wealthier? No. The amount of REAL wealth(goods-services) has not increased by a single toothpick. It would actually lead to less wealth since many people wound stop working-producing seeing their new-found fortune. Would the 10,000 men above be able to produce the factory if instead of having real wealth to use-consume had to consume pieces of paper with dead presidents on them? Of course not.

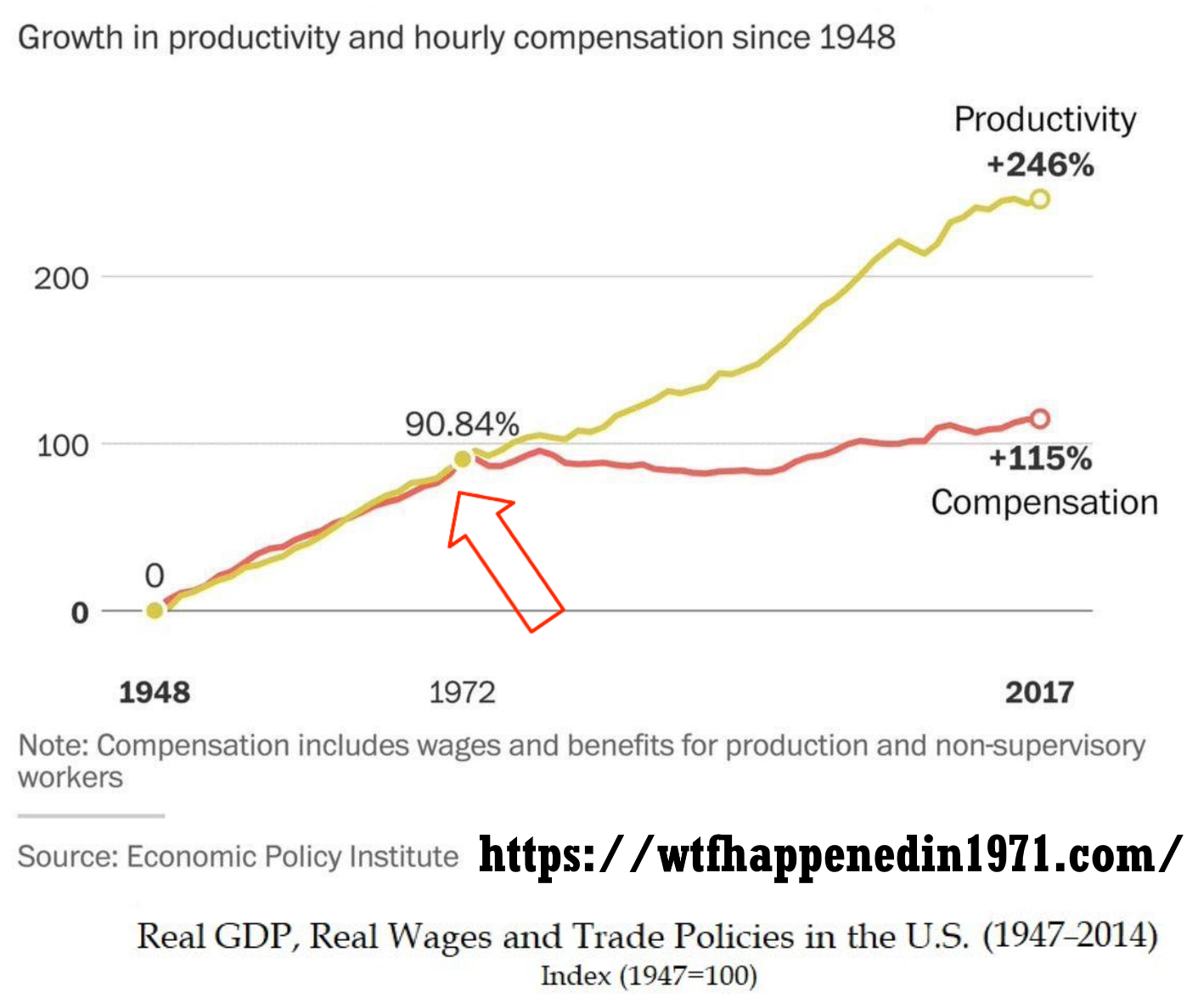
More money leads to and enables higher prices. For example, if there are 1,000 people in an island (BlueIsle) and each has $100 for a total of $100,000 in the island, can anything sell for $200,000? Of course not, even if they all combined their money such a transaction could not happen because there isn’t enough money, but what if each person had $500 so that there is now a total of $500,000? Then yes obviously, prices could go up to $500,000. So for general prices to go up there HAS to be more money. And who creates the money and is ultimately responsible for a general increase in prices? Generally speaking, today all money is created by governments via their central banks (Federal Reserve in USA) and they are thus responsible for the price increases. Let’s say you print yourself 1,000 trillion dollars and start offering people in the USA’s West coast ridiculous amounts of money for their goods-property-wealth. You buy all the wealth in California, Washington, Oregon, etc. As this is happening Americans are growing richer in terms of money but poorer in terms of what really matters, homes-property-wealth. At some point you make it to Florida, by this time it will be packed with about 300 million Americans and perhaps the 1,000 trillion dollars or more you kept offering people. The price of wealth tends to be the amount of money that is offered in exchange for it given all the other things the money could be traded for. With so much money and so little wealth left, the price of everything would be astronomical and people would be much poorer given that you are the one that possesses most of the wealth in the country. Assuming the total amount of money remains stable, if the economy-wealth is expanding, which can only happen if the rate at which goods-services-wealth is produced is faster than the rate at which it is consumed, we expect general prices to go DOWN because the money will sort of get divided among more goods-wealth so less money per item-wealth means a lower price. This last point is of vital importance, under normal-ideal circumstances, as the economy grows we should expect prices to go down and people’s savings to buy them more in the future. If the amount of wealth remains stable or grows slower than the amount-supply of money, then we have more money per item, thus higher prices.

Let’s go over a final and very important example. Keep your eye on how much wealth is being produced and consumed, and the relationship between the quantity of money, wealth, and thus prices. Let’s say Alan prints himself another $100,000 which is enough to hire half the people in BlueIsle for 3 months while they build him a small castle. Alan thinks this is a great idea, he is paying some people more than what they were making before, there were also a few unemployed or unmotivated-to-work people before but he is offering enough money to get everyone working thus achieving “full-employment”. Prior to trading their labor for Alan’s paper-money, people were producing stuff that they either wanted-needed to consume themselves or could be sold-traded to others who obviously wanted-needed to consume them, they were producing “socially desired” or “order-life creating-sustaining” stuff like oranges-apples-hair-cuts-blankets-baskets-etc. The day half the population begins working on Alan’s castle, the island’s economic pie begins to lose half its “socially desired” stuff-wealth since half the population is no longer creating it, and begins increasing the amount of rocks, ladders, and other things for Alan’s castle. These things, are NOT “socially desired” or “order creating-sustaining” wealth as judged-calculated by the inhabitants. Since the existing $100,000 will be distributed over half as many socially-desired-goods, this would eventually motivate their prices to about double. However, since Alan is further doubling the money supply as he pays people using his newly printed $100,000, on the last days of castle-building, when half the population is still working on his castle and they have also spent most of the new $100,000, prices would have nearly doubled once again making them about 4 times higher than they were before Alan came up with his idea. It should be easy to see that Alan has reordered society in an inferior way. Everyone is “working” and making more money than before, but the unavoidable reality that they are ordered in a less productive way reflects itself in the much higher prices and smaller amount of wealth on average that each can consume. Ideally people now “lose their jobs”, and instead of working on the easily identifiable yet disastrous plan laid out by Alan, for a few days there appears to be “chaos” as people discover superior plans and likely transition to their old trades-jobs thus once again reordering society on a far, far more productive way. However, they are **economically ignorant**, so they tell Alan “Can you hire us again to make the castle bigger? You pay us more than what we used to make before. You are about to create massive unemployment”. Alan thinks to himself “Gosh! It is a good thing that by creating money I am preventing massive unemployment and chaos. Obviously I must keep providing ‘liquidity’!” So the relative suffering continues even as the local newspaper gives Alan the “Citizen of the Year” award. Carl told Alan that what he was doing was disastrous and told people that Alan should just stop creating money and let everyone lose their jobs. The mob labeled him a heartless capitalist and killed him unfortunately. Had Alan been a bad king, who instead of creating money to acquire the necessary wealth to create his castle, simply taxed people at a 50% rate, the people’s living standard would have suffered similarly, but they would have easily understood the fact that their wealth was taken from them for the creation of things they didn’t want or benefit from for a hopefully more obvious massive loss.

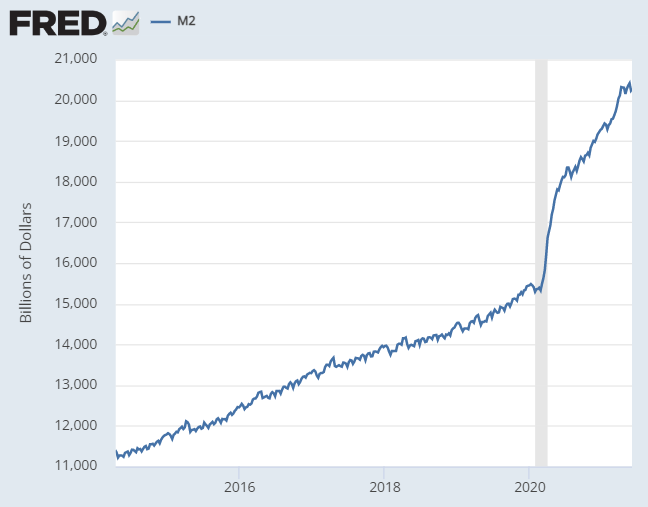
The creation of money by governments is just a hidden tax that transfers wealth from savers and society at large to the people who get the newly created money. For example, Let’s say you have saved $1,000 which can buy you 1,000 items at $1-each. The government via the central bank (Federal Reserve in US) and a convoluted process eventually creates billions of dollars which are given to the newly-created Space Force military personnel so they can trade them for the wealth they need to consume-live and because of this money-creation prices go up 5% so each item is now $1.05 and your saved(or future earned) $1,000 can only buy you about 952 instead of 1,000 items. The 48 items-wealth that you (and other taxpayers) can no longer obtain, is the wealth that the Space Force personnel got to consume. Again, money is not the same thing as wealth, when governments create money they are simply creating an additional tax or transfer of wealth from savers and the public at large to those who get the money.



The following graph helps us understand how when the US was still on a gold standard, since gold can’t be increased by adding 0s at the end of bars, this prevented the government from acquiring additional wealth-taxes by just creating the money thus prices had a slight downward trend until 1971 when the USA completely abandoned the gold standard. Up to 1971 the US would give foreign governments an ounce of gold per $35 dollars, but to acquire enough wealth from the public in order to give it to people involved in the Vietnam War, as well as grow a rapidly increasing welfare system, the US was creating more dollars than what it could honestly exchange to gold. French president Charles de Gaulle, who wanted the war to end, knew this money-debt-creation was allowing the US to dishonestly acquire the needed wealth to finance the war so he demanded many dollars to be exchanged into gold. The US had enough for France, but was running very low on gold and knew it could not meet further obligations so it just completely stopped dollar-to-gold convertibility and thus end the gold standard. Had the US government tried to obtain this wealth, not via money-creation-inflation, but by raising taxes directly, chances are Americans would not have gone along. Thus from 1971 onward the US government thanks to Fed(Central Bank) money-creation has been able to additionally tax workers-savers causing prices to rapidly increase instead of going down. If you look very carefully at the graph, you will notice two rapid increases in prices, one occurring during the American Civil War (1861-65) and another during the First World War(1914-1918). During wars, tribalistic politicians-ideologues always resort to the price-increasing money-creation to acquire the wealth needed to feed-clothe-nourish the war effort, because if they had to get the wealth via direct taxation, the public would more easily factor the true costs of the tribalistic warmongering and likely bring an end to such slaughters.



The graph above helps us see how thanks to technology-progress even though worker productivity has increased by 246% since 1948, compensation has only increased by 115%. Again, once the economically ignorant technocrats-politicians abandoned the gold standard in 1971 and could easily acquire additional wealth by just creating money (more debt) much of the additional production was taken away from workers via inflation-money-creation. The concept of “No taxation without representation!” is bypassed when ideologues can take all the wealth they want from the public by just creating money. This is NOT the result of some ‘malicious plot’ by bureaucrats, for the most part most are clueless and are only focused on spending (acquiring wealth now) to help the cause-war-welfare-etc.



This next graph shows how from early march to mid may 2020, the Federal reserve has created about 3 trillion dollars which will be given to people and businesses so that they can exchange this money for wealth they can consume, much of this will be unemployment benefits which will motivate many to not even look for work and thus continue to be pure consumers thus overall the 3+ trillion is leading to a rapid shrinking of the economy and accelerating rise in prices. Again, this is just a transfer of wealth from workers-seniors, and ultimately anyone who trades dollars for wealth, to others as the economy continues to shrink and prices rise compared to what they would have otherwise been without the money-creation.

This money-creation by the Federal Reserve *inadvertently* transfers wealth from, not just Americans, but anyone in the world who trades wealth for dollars. The US government and its countless ideologues somewhat *inadvertently* end up creating money which then gets traded with the rest of the world for wealth, leaving the rest of the world with more dollars and less wealth and thus higher prices. It has taken decades for relatively clueless politicians to understand this, but this is something that now many world leaders are very aware of which is understandably causing them to abandon using the US dollar. Putin explains:

“over the past two years, the money supply in the United States has grown by more than 38 percent. Previously, a similar rise took decades, but now it grew by 38 percent or 5.9 trillion dollars in two years…So, they printed more money, and then what? Where did all that money go? It was obviously used to pay for goods and services outside Western countries – this is where the newly-printed money flowed… Naturally, no one thought about the interests of other states, including the poorest ones. They were left with scraps, as they say, and even that at exorbitant prices.”

When Putin mentions “no one thought about the interests of other states”, is this due to malice or a ‘conspiracy’ by US politicians and Federal Reserve economists to rob the world? No. The vast majority of US politicians and even Federal Reserve economists have been unaware of this ongoing monumental transfer of wealth from the whole planet to the USA, it too is something that has more to do with the complex evolution of the global financial system instead of a ‘conspiracy’ and is “indeed the result of human action, but not the execution of any human design”

### Trade, Money and the Division of Labor and Information.

Trade and money led to the “division of labor and information” which allowed the social order to efficiently compartmentalize information in only the brains that needed it and also accumulate a virtually limitless amount of information with which to continuously restructure itself in increasingly more productive-advanced ways. For example, Mark’s brain contains knowledge of how to get coconuts and process them to create pastries. Tom’s brain contains knowledge of how to find the best vines and weave them together to make baskets. Jim’s of where to find rocks which when split can create sharp knives and how to sharpen them. When Mark trades his pastries for Tom’s baskets and Jim’s knives he is a benefactor of all the knowledge needed to creating those items yet he only had to know how to make his pastries. Unlike the tribal social order where knowledge is inefficiently repeated across every brain, trade allows for information to be efficiently stored fewer times freeing up more brains to contain more information. We can envision 1,000 men producing and trading 1,000 different types of items requiring 1,000 times more information which without trade and the ‘division of information’ that it enables would have been impossible to achieve in a tribal society. Also, when Mark trades his pastries for the baskets and knives he can now make less trips to gather coconuts by using the baskets and process them faster by using the knives and thus increase his ‘rate of production’ from 2 to 10 pastries per day. The pastry-making process has become more productive and also more complex because it was enabled by basket and knife making knowledge. We now have a never-ending cycle of increased ‘rate of production’ and complexity -> population growth (more brains) -> increased ‘rate of production’ and complexity -> more brains -> … leading to where we are today with nearly 8 billion people and the inability to fully trace the knowledge that enabled the creation of anything. In Hayek’s words:

“the greater density of population, leading to the discovery of opportunities for specialisation, or division of labour, led to yet further increases of population and per capita income that made possible another increase in the population. [And so on.”](https://books.google.com/books?id=YQLYAQAAQBAJ&pg=PA40&lpg=PA40&dq=%22the+greater+density+of+population,+leading+to+the+discovery+of+opportunities%22&source=bl&ots=OdrrCyyGT3&sig=ACfU3U2RrY6L_hQm8BCBOad08o-du-kPtQ&hl=en&sa=X&ved=2ahUKEwj3wOfc4q_pAhUxFjQIHe5VBigQ6AEwAHoECAcQAQ#v=onepage&q=%22the%20greater%20density%20of%20population%2C%20leading%20to%20the%20discovery%20of%20opportunities%22&f=false) (Hayek, 1988, p. 40)

For example, a web-designer can trade his services which are dependent on web-design information that resides in his brain for money, and then trade the money for any of the billions of products-services that exist in the world and are likewise dependent on information spread throughout the world. The websites he creates are also enabled by all the information that enabled the “factors of production” he used to create them, like his computer, monitor, keyboard, software, electricity, the Internet, etc., which themselves are enabled by all the information that enabled their “factors of production” like the computer’s memory, processor, and so on. Everything that is produced today is the result of an interdependence of information that spans millions of minds, not just in the present, but in the past as well, because wealth that is currently being produced-consumed is dependent on tools-‘factors of production’-information provided further in the past. When he upgrades to a better computer, the information that enabled these improvements also contributes to-enables the improvement of his website production process. Without money how would a heart surgeon trade his costly services for toothpicks? Without trade and money, this “division of labor and information” as well as the inter-temporal cooperation-interlocking-stacking of information just described, and the ability to do profit-loss calculation to ensure that each order guides its actions in a manner that it produces more than it consumes, would not exist and neither would our social order which depends on it.

### Creation and Spread of Information via Economic Competition and its emergence from the tradition of Private Property.

In the ‘Social Organism’-economy superior information arises and spreads thanks to economic competition which emerges from the tradition of private property. Private property means that matter is under the exclusive control or ownership of a single person-mind-CPU. Each person is motivated to discover the best information with which to transform or reorder their private property in a way that increases its value or utility. Most of us transform the trillions of atoms that make up our bodies in a manner that maximizes the value-utility of the labor we produce and then trade with other people or companies. Some transform bread and beef to increase their value as hamburgers which are then traded with others, etc. From our freedom to use-transform our private property emerges the ‘freedom to trade’ it with anyone in the entire planet which inadvertently transforms mankind into a global supercomputer where people via the companies they create are motivated to innovate and learn from each other(competitors) thus inadvertently cooperate to discover and spread superior information and subsequent order. For example, a Honda engineer in Tokyo, Japan, may have invented power door locks which thanks to ‘economic competition’ motivated BMW in Germany, Ford in the USA, and other ‘competitors’ throughout the world to copy and thus spread superior information throughout the world. Why do they do this? Because people in their role as consumers have the ‘freedom to trade’ their life-order-sustaining wealth with the better informed auto-manufacturers(competitors), and as producers, to go into the auto manufacturing business. This in turn motivates all competitors to learn-copy each other lest they not get enough revenue-wealth with which to pay their employees a competitive wage so they use their ‘freedom to trade’ their labor to join the better-informed and thus more productive-efficient orders-companies. Notice how the biggest companies or ‘private sector orders’ in the world like Amazon, Apple, Walmart, Google and Microsoft, which hire and efficiently coordinate the actions of millions of fellow homo sapiens across the world regardless of age, sex, religion or race, do not force anyone to buy their products or coerce anyone in any way and have no army or tribalistic and patriotic flag salutations. They spend all of their time peacefully innovating and copying each other’s innovations thus inadvertently spreading superior information and subsequent social order. This wonderful automatic mechanism of *COMPETITIVE KNOWLEDGE DISCOVERY* is “turned on” or “emerges” from the simple concept, or better said, tradition of ‘private property’. Private property gives everyone in our role as consumers the ‘freedom to trade’ our life-order-sustaining wealth for what we calculate-think is best. This ‘freedom to trade-choose’ in turn motivates everyone, in our role as producers, to *discover the best information with which to order* ourselves and the matter we control in a manner that produces something society-customers value (our labor, a product-service), which we do by, once again, innovating and-or copying-learning existing ideas-information, in other words, by competing in the economic sense. Most of us simply choose to produce and then trade our labor with a company-order that knows how to further incorporate our labor in a more competitive-profitable way. Via advertising, competitors are motivated to spread the potential usefulness and superiority of their products-ideas as well as the defects-inferiority of their competitors thus accelerating the need to compete-copy-spread superior information.

A mind-CPU anywhere in the planet that comes up with an improvement will benefit everyone in the world if they are ‘free to trade’ for his product-service which will also motivate all competitors in the world to likewise improve their actions-order. So we can see how just like in the Olympics we can discover the best athletes in the world due to global competition, so does having the ‘freedom to trade’ with everyone in the world allows the best ideas to compete and spread globally thus ensuring the best possible global order. As cost-cutting ideas emerge and inevitably spread via competition leading prices to continuously fall, new profitable ideas easily arise and once again spread via competition in an endless cycle of knowledge generation-innovation. For example, computers were once very expensive, but once the price of making them came down enough, people easily realized that every home could have them, which gave birth to our computerized world and the Internet and all the great things that flow from it. The more wealth is produced, the more wealth has to be offered in exchange for labor as companies-orders compete against each other for the labor they need which helps explain why the economic pie grows for everyone. For example, imagine that after a shipwreck you end up in an island where everyone has a machine that can turn dirt into food. Tom wants your labor to build a home, Mark, to build a boat, and Gina to plant a garden. Competition will motivate them to offer you all the food you want and more.

### Prices and the Impossibility of ‘Central Planning’-Socialism-Communism.

How much wealth had to be consumed in order to produce a gallon of gasoline that sells in Seattle for $3.50? Or a pound of beef that sells in London for $5.35? We can’t know for sure, however, we can be fairly certain that it was less than the advertised price which on average must include the costs. The price of any item in the world lets us know that there is an order at that particular place and time that is coordinated by information that can produce the item while consuming less than the advertised price. THAT IS AMAZING! This allow goods to be purchased and combined in a manner that ensures that the combination (like a car) can easily have a price set that properly accounts for the costs-consumption of the whole (car) by just adding the prices of the parts used to produce it (wheels, glass, robotics, labor, etc.), parts which themselves had a price set that included their costs-consumption and so on, each part-input managed-ordered by entrepreneurs-brains-CPUs with highly specialized time-and-place specific information who are always using profit-loss calculation to ensure they are increasing the economic pie. The concept-tradition of ‘private property’ plays a vital role here as well, it is not until matter-things are privately owned, that they are controlled-coordinated by brains-CPUs that are incentivized to discover the best information with which to reorder-coordinate them in the most productive-profitable way possible.

How do we know whether it is a good idea to build an airport or a school at a particular time and place and also get the necessary wealth without coercion or making criminals out of people who may not want to contribute to them? Only entrepreneurs at those times and places can ‘discover’ if there are enough people whose lives would be improved by trading their wealth for such wealth (airport or school), and how to build them in a profitable and competitive way. The information needed to create-coordinate the social order, like whether to produce cars, or buildings, or pizzas, where to do so, what prices to set, and most importantly, how to produce them in a manner that more wealth is produced than consumed, is information that can only be created by free people dispersed throughout the world thus rendering central planning ideologies like Socialism-Communism IMPOSSIBLE regardless of the good intentions of their members or their intelligence. To see why this is the case consider the following example, a Cuban restaurant in Miami Beach sells a picadillo dish (ground beef, plantains, rice) for $8. Perhaps $1 might be profit, and $7 will be spent in costs, in other words, in the necessary consumption of wealth needed to produce the meal-wealth, things like equipment-electricity-food, and everything employees and their families will consume at home (food, energy) thanks to their paychecks that came from the $7-meal. The businessman discovered 1) that there are enough customers nearby willing to patronize the restaurant at the $8-meal price which necessitates taking into account customer’s already existing local competitive options thus providing an improvement in society, and 2) how to reorder $7 worth of stuff(labor-supplies-etc.) to produce the meal. If he sets prices too high, customers will choose other superior existing competing options and thus fail to improve the social order. If he sets prices too low, he won’t cover costs and cause more consumption than production thus shrinking the economic pie. These are two vital pieces of information that are impossible for a central planning body to discover and helps explain why every time Communism has been attempted the result has been a much faster rate of consumption than production and eventual famine-starvation-chaos-death. Again, only free entrepreneurs dispersed throughout society, not government “experts” in a central location, are at the right time and place needed to discover people’s desires and how to order a business or section of society while setting prices that create a profitable order. The social order exists thanks to the fact that private property maximizes economic calculation by allowing-encouraging every person-mind-CPU to sense-analyze its proximate corner of the world and reorder it to be as profitable-‘pie increasing’ as possible. Central planning-Socialism-Communism simply reduces the number of brains-CPUs that can do profitable calculation by turning them into order-takers by the smaller number of ‘central planning “experts”’ who are also too far away to gather the necessarily time-and-place information needed to profitably plan-reorder thus always rendering their planning inferior, leading to more consumption than production or what Mises referred to as [‘Planned Chaos’.](https://www.youtube.com/watch?v=7EnHeZXLzTc)

Order (biological or social) needs two things, wealth to consume as it acts-lives, and information to guide the action in a profitable-pie-increasing manner. As an American I have relatively good freedom of speech, I can say America’s 1.2+ trillion yearly military spending or consumption is a horrible idea, but my freedom of speech is useless if my wealth is taken away to sustain bad ideas.

Try to envision how matter is coordinated by information constantly increasing its value. The restaurant owner discovers laborers-equipment-‘food distributors’ with the right prices to hopefully create a profitable order-restaurant. He places orders for the food-ingredients which can be seen as increasing in value as they are delivered to the restaurant, at a cost of course, that which must be consumed(fuel-food-etc.) by the driver-etc. The waiters begin producing the ‘meal experience’ by seating customers and taking the orders, the cooks increase the value of the ingredients by combining-cooking-transforming them and thus producing the meals, the waiters further increase the value of the meals by further transforming-transporting them from the kitchen to the table. The customers consume the meals, their internal order-cells will further consume them as they produce their heartbeats and all that is required to keep the cells-people-orders alive-etc. Customers, who had previously produced stuff and exchanged it for money, traded money which will then go to the owner, cooks, waiters, suppliers, etc. and then traded with countless orders-businesses so that they too can consume-live. Each actor-order producing and consuming at different rates using prices and ‘economic calculation’ to ensure more production than consumption at the whole restaurant level, and at each individual level as the waiters and cooks manage their personal spending-lives. The food-supplying company uses the prices in its own relevant corner of the world to likewise organize itself profitably. Each actor-order is motivated to sell or trade the wealth it produces for as high a price as it can but the freedom of customers to choose competitors limits how high a profitable price can be. Thus prices, and the vital information they convey, are what allow ‘economic calculation’, they allow cars-picadillo-stuff to be built from parts-beef-inputs, which themselves are built from other inputs, each input managed-ordered by entrepreneurs-brains with highly specialized time-and-place-specific-knowledge-skills, leading to never-ending conveyor belts of interlocking cycles of production-consumption, each moving-reordering matter in increasingly valuable ways. Since prices contain highly time-place specific information it is absurd to arbitrarily copy the price from one place and apply it to another. A similar Cuban restaurant-meal might be profitable in Austin, Texas selling the picadillo for $6.50 because costs-consumption like real estate, transportation, and labor might be lower there compared to Miami Beach. In Oslo, Norway, the costs might be $20/meal due to the additional consumption of wealth that has to take place as the ingredients are shipped so far and numerous other factors, which again, are highly time and place specific and only discoverable by local actors.

Nikita Khrushchev, who followed Stalin as head of the centrally planned (Socialist-Communist) Soviet Union, is credited with saying “When all the world is socialist, Switzerland will have to remain capitalist, so that it can tell us the price of everything”. Unfortunately for Khrushchev and the billions who suffered economic chaos and an inevitable decline in production under Socialist-Communist regimes all over the world, prices in Switzerland (or anywhere else) embody information about the costs/consumption of those particular places at specific times and are no good elsewhere.

With the Internet, pricing information all over the world can help customers find-nourish cheaper-better products-orders-companies and also help producers likewise thus greatly accelerating competitive knowledge-order-spreading but it will NEVER lead to the success of central economy-wide planning because no computers-system can get in the brains of entrepreneurs to predict what products-businesses they will create and thus alter society, and similarly, no computers can get in the minds of consumers and predict how they will choose to spend their money/wealth thus once again altering the social order’s numerous cycles of production and consumption. As Mises so eloquently explains:

“The consumers, by their buying or abstention from buying, ultimately determine what should be produced and in what quantity and quality. They render profitable the affairs of those businessmen who best comply with their wishes and unprofitable the affairs of those who do not produce what they are asking for most urgently. Profits convey control of the factors of production into the hands of those who are employing them for the best possible satisfaction of the most urgent needs of the consumers, and losses withdraw them from the control of the inefficient businessmen. In a market economy not sabotaged by the government the owners of property are mandataries of the consumers as it were. On the market a daily repeated plebiscite determines who should own what and how much. It is the consumers who make [some people rich and other people penniless.” (Mises)](https://fee.org/articles/inequality-of-wealth-and-incomes/)

Who can anticipate the firing of trillions of neurons in billions of brains to predict-plan the resulting desires-ideas?

Since prices that properly estimate costs/consumption can only be set by free entrepreneurs, when the government (central planners) attempts to set them via “price controls” it warps the socioeconomic order in inferior ways. For example, if the free-market price of a gallon of milk is $2.30 in a particular store in Miami which profits 0.30 per gallon (costs = $2.00) and the government mandates the price to be $1.99, then the business is consuming more wealth ($2.00) than what it gets ($1.99) and will eventually go bankrupt causing less milk to be produced leading to shortages. Even if the government sets the price to, say $2.15, so that the business can still profit, it will still lead to eventual shortages for the following reasons. Under normal circumstances the rate of profit tends to be equal-uniform across all sectors-businesses, if higher-than-average profits are being made in say auto-manufacturing, factors of production like labor, materials, real-estate are withdrawn from other less profitable sectors which reduces production-competition in them causing profits to go up in those sectors, while simultaneously increasing production-competition in the auto-manufacturing sector causing the initial higher-than-average rate of profit to go down towards average levels. So by making profits in milk production lower than the average it still has the effect of decreasing, albeit less drastically, milk production which is the opposite of what the economically ignorant masses and politicians want.

It is important to envision the socioeconomic order as it really exists as if looked at from high above. Envision people coming together-apart as companies-orders emerge and dissolve in ever-changing conditions. Superior information arising and rippling-restructuring the social order thanks to competition. As orders get more productive they lure other people to ‘trade-with’ or ‘join-them’ by offering more money-wealth for their labor relative to other companies-orders, eventually causing the least productive orders to sort of dissolve as their ‘factors of production’ like labor, buildings, etc. are bid away to be parts of more productive plans-orders. A sort of swarm intelligence emerges as the all-pervasive public quickly nourishes the growth and spread or superior orders-companies-information, inadvertently expanding the worldwide “division of labor and information” as entire neighborhoods-cities morph themselves in specialized ways as complementary pieces of information-orders segregate themselves in distinct geographical locations like the software industry in Silicon Valley, California and manufacturing in Guangdong, southern China. As Mises reminds us “The division of labour is a fundamental principle of all forms of life.” The division of labor is a pattern-way which natural selection rediscovers to enable smaller units-orders to efficiently compartmentalize labor-information as they contribute-to (and are nourished-by) a larger organism they become parts of(Organelles -> Cells -> Organs -> Humans -> Social Organism). Mises again:

“It is by virtue of the division of labor that man is distinguished from the animals. It is the division of labor that has made feeble man, far inferior to most animals in physical strength, the lord of the earth and the creator of the marvels of [technology.” (Mises, 1985)](https://mises.org/library/liberalism-classical-tradition/html/p/7)

### Morals as Superior Information.

Morals are simply ways of acting, they are knowledge which also emerges and spreads via economic competition. Companies-orders that hire-nourish-‘trade with’ lazy, disrespectful, or corrupt people will be less competitive and be inevitably pressured-selected to hire people with better morals which in turn forces everyone to be respectful and hardworking regardless of race, sex, etc. Similarly, it is hard-working, tolerant, courteous people who thanks to competition inevitably force everyone else to be likewise. As Hayek tells us:

“Competition is, after all, always a process in which a small number makes it necessary for larger numbers to do what they do not like, be it to work harder, to change habits, or to devote a degree of attention, continuous application, or regularity to their work which without competition would not be needed.” [(Hayek, 1981, p. 77)](https://books.google.com/books?id=malYAQAAQBAJ&pg=RA2-PA77&lpg=RA2-PA77&dq=%22continuous+application,+or+regularity+to+their+work+which+without+competition+would+not+be+needed%22&source=bl&ots=kU2cMHmKYQ&sig=ACfU3U30vW96Pca8EGx2LO5qTHNN9P8FNw&hl=en&sa=X&ved=2ahUKEwinl4zg4PDoAhUChHIEHWifC9IQ6AEwAHoECAsQKQ#v=onepage&q=%22continuous%20application%2C%20or%20regularity%20to%20their%20work%20which%20without%20competition%20would%20not%20be%20needed%22&f=false)

As millions of Italians, Britons, Germans and others from all over the world came to America, it was ultimately the competition which grows from ‘private property’ and thus individual liberty-freedom which stripped these people of their otherwise nationalistic-ethnocentric-tribalistic identities and evolved what came to be seen as the classic American character-ethos of wanting to be seen as a reputable-honest businessman-professional who treats everyone with respect and wears a business suit as opposed to older religious-ethnocentric dress. So not only does ‘private property’ “turn on” or leads to economic competition and other aspects of the market process and resulting social order-civilization, it also evolves our culture-identity to be ideally suited for participation in the ‘Social Organism’.

### Government-‘Public Sector’ is an Inefficient Monopoly.

Since it is through freedom and resulting ‘competitive knowledge discovery’ that we both, free people from coercion-tyranny-slavery, and also discover the best information with which to reorder mankind, the role of governments should be to set the framework-laws that maximize such freedom-‘competitive knowledge discovery’ and NOT to attempt to manage-order society because governmental-‘public sector’ bureaucracies, being COERCIVE MONOPOLIES which get their life-order-sustaining wealth through taxes-compulsion are immune to the competitive-information-spreading incentives-pressures which motivate-force private sector orders to be efficient-innovative-hard-working. This helps one understand how Communism, which abolishes competing orders-companies and replaces them with a single competition-less monopolistic bureaucracy of ‘experts’, leads to a massive lack of production-innovation and eventually socioeconomic chaos-starvation as the economic pie continuously shrinks as has happened in every country that consciously attempts Communism-Socialism or inadvertently drifts in that direction as their governments get bigger and bigger (USA-World). Central plans can’t work if people are free to not go along with them, or use property as they wish instead of by the central plans — so they inevitably require compulsion-tyranny. For example, it is a criminal act in Communist countries like North Korea to start a business, in other words, to attempt a superior restructuring of society because it interferes with the plans of “the experts” who run the government. It is also a criminal act everywhere to not pay taxes that sustain public sector bureaucracies like “public education” so there is little incentive or wealth to sustain other, more desirable-superior competitors. For example, the NYC public(monopolistic) school bureaucracy consumes about $29,000 per year to “educate” a K-12 student. Refusing to pay a single dollar that goes to this bureaucracy is a criminal act. Taxes and all transfers of wealth from the private sector to the government, besides being an obvious burden to the people that had to sacrifice a part of their lives to earn such wealth and now have less wealth to trade for the things they want, simply destroy the private sector jobs the taxed-away spending would have sustained and replaces such productive-efficient and pie-increasing jobs for inefficient government ones or worse like militarism-wars. The former Soviet Union had plenty of highly educated scientists-‘experts’ whose plans required the coercion of millions, but they were thoroughly crushed by free Americans and their ‘competitive knowledge discovery’. Socialist regimes and government in general also face an “incentive problem.” In free societies, or the private sector, each person-cell is incentivized to be as productive as possible and keep inefficiencies to a minimum since he owns-keeps the additional wealth or losses. On the other hand, the government employee or bureaucrat gets the same pay (ability to then consume) whether his department did a good job (produced a lot) or not, and is also not risking his own wealth since that comes from the taxpayers. The image below is another one of our most powerful memes for explaining the difference between competitive-private-free orders(South Korea) and monopolistic-government-coerced orders (North Korea). Again, keep your eye on how information arises-spreads via competition and continuously restructures the social order.



Hayek:

“The argument for liberty is not an argument against organization, which is one of the most powerful tools human reason can employ, but an argument against all exclusive, privileged, monopolistic organization, against the use of coercion to prevent others from doing better.”

Action requires two things, the information that guides it, and the wealth that must be consumed while to action takes place. For ‘competitive knowledge discovery’ to work wealth must remain in private, not government-public hands. For example, in relatively free countries like the USA you have the freedom of speech necessary to criticize an awful public education system, or the disastrous Iraq and Afghanistan wars, but since you are still coerced via taxation to support those “ideas”, the ‘competitive knowledge discovery’ is inexistent because bad ideas can still get the wealth they need for execution.

In his essay [“Over-Legislation” Herbert Spencer](https://www.econlib.org/book-chapters/chapter-essay-over-legislation/) beautifully comments on the differences between governmental(law-made) orders and private/competitive ones:

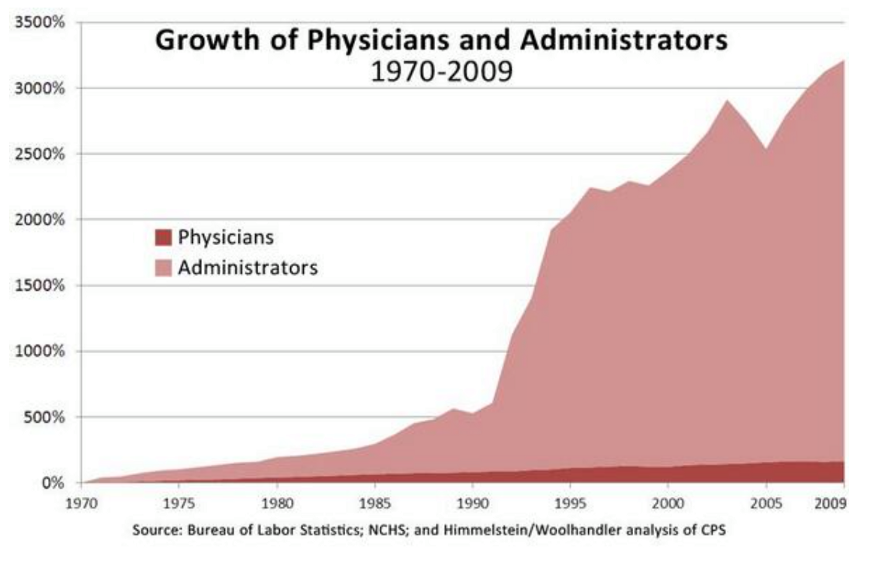
“How invariably officialism becomes corrupt every one knows. Exposed to no such antiseptic as free competition — not dependent for existence, as private unendowed organizations are, upon the maintenance of a vigorous vitality; all law-made agencies fall into an inert, over-fed state, from which to disease is a short step. Salaries flow in irrespective of the activity with which duty is performed; continue after duty wholly ceases; becomes rich prizes for the idle well born; and prompt to perjury, to bribery, to simony. … Officialism is habitually slow. When non-governmental agencies are dilatory, the public has its remedy: it ceases to employ them, and soon finds quicker ones. Under this discipline all private bodies are taught promptness. But for delays in State-departments there is no such easy cure. …

Consider first how immediately every private enterprise is dependent upon the need for it; and how impossible it is for it to continue if there be no need. Daily are new trades and new companies established. If they subserve some existing public want, they take root and grow. If they do not, they die of inanition. It needs no act of Parliament, to put them down. As with all natural organizations, if there is no function to them, no nutrient comes to them, and they dwindle away. Moreover, not only do the new agencies disappear if they are superfluous, but the old ones cease to be when they have done their work. Unlike law-made instrumentalities…these private instrumentalities dissolve when they become needless. …

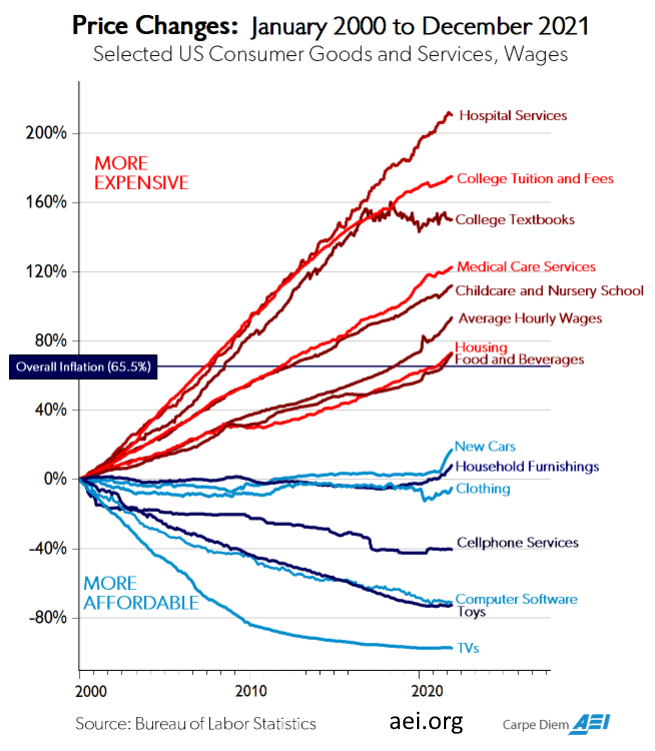
Again, officialism is stupid. Under the natural course of things each citizen tends towards his fittest function. Those who are competent to the kind of work they undertake, succeed, and, in the average of cases, are advanced in proportion to their efficiency; while the incompetent, society soon finds out, ceases to employ, forces to try something easier, and eventually turns to use. But it is quite otherwise in State-organizations. Here, as everyone knows, birth, age, back-stairs intrigue, and sycophancy, determine the selections, rather than merit. The “fool of the family” readily finds a place in the Church, if “the family” have good connections. A youth, too ill-educated for any active profession, does very well for an officer in the Army. Gray hair or a title, is a far better guarantee of naval promotion than genius is. Nay, indeed, the man of capacity often finds that, in government offices, superiority is a hindrance — that his chiefs hate to be pestered with his proposed improvements, and are offended by his implied criticism. Not only, therefore, is legislative machinery complex, but it is made of inferior materials.” (Spencer, 1853)

### Regulatory Paralysis.

With our focus on how information arises and coordinates life-order, we can see that a government regulation is essentially a “way” of doing things, it is information. But unlike information that arises in the private-competitive sector and is constantly being replaced by superior information due to economic competition, a government regulation is information that arises out of a few brains and is then forced upon the entire social order from the top-down via the law and can only be changed via a painfully slow monopolistic-bureaucratic apparatus made up of economically ignorant politicians, lawyers, lobbyists and special interest groups who always lack the necessary local time-and-place-knowledge and incentives to discover what is the best way to do something. In the free-private-competitive sector information moves from the bottom (individual minds-entrepreneurs-innovators) to the top-others-influencers as it is ‘tested’-refined-preferred by the comparisons to other information by billions of minds thus ensuring superior information spreads and is ideally adapted to each specific time and place. This is bypassed by top-down regulation and all government-monopoly action which ultimately comes at the expense of wiser private-competitive action. The more the government regulates, the more it paralyzes ‘competitive knowledge discovery’. As government regulations have increased in the health care sector, turning it into a sort of island of paralyzed top-down competition-less-socialist central planning, so have costs. These increased costs have led the sector to grow from consuming 5% of the American economic pie in 1960 to a whopping 16% in 2006 and over 20% 2022 culminating in the Coromunism disaster. The image below helps explain the regulatory paralysis-bureaucratization of the entire medical sector which is responsible for the skyrocketing costs.



What a person must learn in order to legally offer medical advice via licensing of doctors, where he must learn it via licensing of medical schools, what chemical compounds can be legally consumed, how to test drugs, how the medical insurance industry should work, and countless other gigantic bodies of knowledge-information are dictated by monopolistic competition-less bureaucracies like the American Medical Association (AMA), the Food And Drug Administration (FDA) and numerous others. By comparison, the Information Technology sector has very few government regulations so competition motivates the creation and spread of superior information at breakneck speed and is obviously transforming our world right before our eyes. Teenagers can work at Google-Microsoft-Amazon and write the software that keeps planes in the sky or people alive via software in medical equipment, yet there is no American Association of Computer Programmers dictating what or where such knowledge can be obtained similar to how the government via the AMA regulates-monopolizes-paralyzes the medical sector via the licensing of doctors, medical schools, insurance sector, etc. There is no government monopolistic bureaucracy ensuring the proper functioning of the software that runs PCs, smart-phones, the Internet, or ensuring the lack of malware or viruses in software. Freedom and competition in the Software Development industry is even quickly evolving culture. It is increasingly seen as uncool and backward to have a traditional degree, where one wastes thousands of dollars and time physically attending gigantic temple-like universities, inefficiently (“professors” instead of popular online videos you can pause-rewind) “learning” things that have nothing (English 101, etc.) to do with being a productive software-web-IT professional. Thanks to this lack of monopolistic centralized decision making-regulating-paralyzing, education in the Software Development-IT world is astounding. At places like www.freecodecamp.org thousands of people are going from 0 experience to highly-paid computer programmers in just a few months for free. IT companies who reach a large enough size ultimately due to the great services they provide, and therefore the useful-profitable knowledge they contain, like Microsoft, Google, Amazon, and many others, go about creating their own educational institutions which train and test people using their products and technologies which are solving real problems and have been shaped by years of fierce competition. There are over 2.1 million individuals worldwide who have become Microsoft Certified Professionals(MCPs) by studying for and passing exams created by Microsoft. These exams change frequently to reflect the never-ending cycle of knowledge generation that exists in this freer and less regulated sector of the economy. Economic ignorance leads many to believe that since one has to be seemingly more careful with medicine, such monopolistic regulatory oversight is somehow necessary. This is irrelevant, if it is superior knowledge that is needed, which includes figuring out how careful to be, freedom and competition is the best way to discover it, period. Nobody knows who the greatest programmers in the world are, there is rightly no Nobel prize for them, the nearly 30 million lines of complex computer code that make up the Linux Operating System that runs most of the world’s computers and is now an integral part of the ‘Social Organism’ were created not so much by ‘smart’ people, but by pure competition. If the medical sector, or better yet, the entire world-wide economy was as deregulated and thus as competitive-innovative as the Software-IT sector, the rate of innovation and prosperity would skyrocket and in all likelihood people who as of today have 5-10 years left to live might be able to beat dying of old age. Only the truly economically woke can easily accept the feasibility of this statement. In graph below one can see how the more regulated a sector is (Hospital Services) the more expensive-consumptive it becomes.



One of the numerous flaws in how the AMA goes about regulating the world of medicine is in the assumption that medical professionals have to be some of the brightest and most dedicated people around, which it attempts to achieve by making entry into medical school and training such an arduous and ultimately expensive process. But this assumption is false, what cures people, or produces any product or service in today’s world, is not so much hard working bright individuals, it is the tremendous amount of knowledge and cheap technology that the market-process-coordinated world puts at our fingertips. This flaw is not specific to the AMA, it applies to our educational establishments and much of how we look at learning and the role of human intelligence.

The market process and resulting world-wide “division of labor and information” is far, far more important than individual intelligence-IQ-effort. For example, Mike knows he can incorporate Tom (who has down syndrome) into his landscaping company by having him perform simple tasks in a manner that increases the company’s ‘rate of production-revenue’ in terms of landscaping services by an additional $4 per hour ($640 per month). Mike trades $3 per hour ($480 per month) for Tom’s labor to make a 1 per hour (160 per month) profit, and after just 10 hours of labor-production and trade, Tom can produce a mindbogglingly complex tablet by trading his $30 for it. Thus it currently takes about 10 hours of labor for a low-IQ person to produce something that was impossible to create just 20 years ago. “But he didn’t really create the tablet!” thinks the economically ignorant. But guess what? The economically woke knows the neither did the company that “manufactured it”. Did such a company create the tablet’s CPU? Or the memory-camera-touchscreen-battery-plastic? Or any of the machinery-tools required to produce the aforementioned components? Of course not. The “manufacturer”, just like Tom, mostly traded and added a relatively minuscule amount of new information compared to what it already got from the “Social Organism” and its world-wide division of labor-information that has been evolving for thousands of years. Due to massive economic ignorance, Tom’s truly astounding rate of production is impossible to achieve because it is either illegal for someone to trade their labor-production for a rate lower than the minimum of $12 per hour (i.e. California), or because the legal expenses related to paying someone less than the minimum make it unprofitable to do so. Minimum wage laws are regulations which essentially outlaw all production that does not occur faster than the legally mandated minimum and hurt the least productive members of society who need wealth the most. Elderly who due to old age eventually produce at a slower rate, teenagers, etc.

Government regulations, which again, are inferior competition-less information which is imposed on the social order by force, not only paralyze the superior competitive knowledge discovery that would otherwise exist and enable the growth of paralyzing-inefficient bureaucracies, they also allow BAD ideas to be much harder to change. We only have to remind ourselves of the Catholic Church’s regulation of speech-thought which led to the persecution of thinkers like Galileo Galilei and thus the general retardation of scientific progress to various degrees. Bad ideas, like Socialism-Communism must have intellectual persecution in order to prevent criticism or ideological competition. So once again we must highlight that freedom, is not only indispensable for the competitive discovery of innovations, but also for discovering the TRUTH.

### Patents.

By understanding how patents do far more harm than good we can continue to solidify our vital understanding of how information coordinates the social order. One of the reasons why we so naively fall for the erroneous idea that patents are good for society is because we greatly overestimate the importance of the individual or company making the discovery while being unaware of how it is ‘the market process’, via its various mechanisms like prices, the profit motive and competition, which plays the key role in innovation. Competing orders-companies, due to the fact that they are already in business competing with each other, contain knowledge that has to be relatively similar. If one competitor has knowledge that leads to much more productivity-profitability, it would drive some competitors out of business, and it would also motivate competitors to copy-emulate the superior knowledge thus leading to a state where once again all competitors contain more or less the same knowledge and inevitably come up with new products-improvements-innovations. Which particular mind manages to stumble upon a new innovation has more to do with chance and circumstances than anything else. Patents inevitably turn competitors which are ultimately cooperators since we are constantly learning from each other as we compete, into bitter rivals; give credit to one where many, or better said, the entire social order via the market process and world-wide division of labor are involved; they slow down the market process by preventing further innovation by competitors whose ideas are based on patented ideas because they now have to pay large sums to patent holders; they remove competitive pressure from patent holders thus making them lazier and worth their time and money to go into the damaging business of suing patent infringes thus retarding technological progress; and since the patent system is overseen by a monopolistic and bureaucratic government organization, it is bound to grow more inefficient and chaotic and also prone to manipulation by the better-connected. Patents, just like regulations, simply create-spread paralysis in the market process. The information technology industry, although less regulated than the health care sector provides a good example of how patents begin to paralyze an industry. Prior to 1981 computer programs could not be patented and this helped spark the explosive growth of the computer-software industry. As Microsoft founder Bill Gates tells us:

“if people had understood how patents would be granted when most of today’s ideas were invented, and had taken out patents, the industry would be at a complete standstill today. I feel certain that some large company will patent some obvious thing… If we assume this company has no need of any of our patents then they have a 17-year right to take as much of our profits as they want. The solution to this is patent exchanges with large companies and patenting as much as we can.” [(Bill Gates, “Microsoft Challenges and Strategy,” memo, May 16, 1991)](http://antitrust.slated.org/www.iowaconsumercase.org/011607/0000/PX00738.pdf)

So Gates clearly saw how patents would lead to paralysis. Unfortunately his solution at the time was not to argue for the abolishment of patents altogether(which I don’t blame him for), but to attempt to protect his company by patenting as many things as possible with which to threaten-protect itself from others in this new ecosystem of warring-litigating patent holders. Given the incentives, this is the strategy that works or is “naturally selected”, thus we have bigger and bigger patent holders fighting it out in order to progress, while at the same time making it harder and harder for the little guy or new competitor to innovate.

Without patents, the social order is constantly improving and moving the best information which can be copied freely-quickly, but existing patents inadvertently disincentivize this more ideal outcome and cause research-wealth to be diverted for the discovery of non-patented inferior information. For example, a whopping 77% of new drugs approved by the FDA are not “new” in the sense that they make some significant improvement compared to an existing drug; they are what are referred to as “me-too” drugs. These “me-too” drugs are usually inferior to drugs already on the market to treat the same condition, they simply allow competing drug manufacturers to enter the market to treat a condition where other companies might be making huge profits due to their patents-monopolistic position.

Innovating is a lot easier than people think. As previously mentioned, as prices or costs of production go down, that which was prohibitively expensive becomes possible which in turn makes other things possible and so on. The world is vastly more innovative today than it was 100 years ago not because we got any smarter because obviously our biology has not changed, but because the market process has made it easier to innovate. Some innovations revolutionize entire fields and make it easy for further innovations to come about. For example, how much easier was it for scientists to make biology-related innovations once the electron microscope took magnification from about 2,000 times to over two million? How much easier was it to invent all sorts of gadgets once electricity came about, or computers, or the Internet? The market process and continuously evolving world-wide division of labor can be seen as a sort of ever-growing ladder taking humanity up an infinitely high tree whose fruits are innovations. For the most part all we have to do is easily pick them off the branches when the ladder gets us there. Very expensive endeavors that only seem profitable if granted patents can be seen as attempts to grab a fruit-innovation that is currently too high up in the tree and we are better off just waiting for the normal technological progress to get us there by cheapening all related research-etc. instead of damaging the workings of the system-ladder in an attempt to make gains that really leave us worse off due to the damage made to the ladder-system by patents.

The damaging pro-patent ideology is also adding to tensions between patent enforcing nations and developing nations who are being coerced or erroneously persuaded to implement patents while also being sort of accused of “stealing our ideas without proper compensation”. This is rooted in the same fallacy of attributing innovation to those making the innovation as opposed to the market process. So-called “developed” areas like North America, Europe, and Japan became developed because the market process managed to work well enough in those areas as to incentivize and coordinate minds in a way that so much knowledge was created, and this was done, in spite of patents, not because of them. Old people, being more likely to be found with cancers, does not mean that having cancers leads to old age, it means that natural selection has built us in a way that we can continue to live for a while in spite of the cancers. Too much government, just like too much cancer, eventually destroys the super-structure. The market process’ ability to organize the social order in ways that lead to what we would call progress is amazing. A little freedom goes a long way. Technological progress in the 20th century has been great, in spite of cancerous government bureaucracies, wars, patents and other misguided government regulatory frameworks which we believe to be the creators or managers of social order while they are in fact its retardants or destroyers to significant degrees. Think about how truly unfair the following is: the Chinese had the misfortune of having much of their 20th century destroyed by war and a truly communist economy which led to the deaths of tens of millions while the market process used millions of brains in the US to discover new ideas, and now that the Chinese increase their freedom and begin to have their social order be coordinated by the market process, they have to pay royalties to the West. This seems pretty “unfair” to me. Developing nations like India and China should not feel like they are “stealing” ideas from the more developed nations, and likewise the United States should not be souring economic relations based on patent infringement which you can be sure is a significant part of the economic saber-rattling that the economically clueless-tribalistic Trump administration is doing.

### Savings, Interest Rates, Business Cycles, and Recuperating Coronavirus Job Losses.

Finance-banking and interest rates are other vital aspects of the ‘Market Process’. Besides the more obvious function of safeguarding savings and pooling the savings of many people to allow the execution of bigger projects which would have been impossible if entrepreneurs were limited to the few savings-wealth of friends and family, banking-finance and more specifically the phenomenon of ‘interest rates’ also play a nearly miraculous role. For example, assuming interest rates are at around 8-10%, some people, those who have no desire to start a business or have inferior business ideas they expect will have a return on investment (ROI) lower than 8%, will be motivated to lend their money to banks to earn ~8% interest and by doing so they refrain from consumption-spending, thus increasing the amount of wealth-savings available to the future borrowers. The banks are a place where such saved money can be combined, easily accessed and loaned out in different quantities to nourish ideas-businesses-restructurings of different sizes. Banks charge borrowers a higher interest than what they pay to savers-lenders and profit the difference. For example, they lend 1 million to John who uses the money to pay for his business’ consumption as it produces (has sales revenue) $1,300,000 worth of stuff thus growing the economic pie by 30%. He pays back loan with the 10% interest (1.1 million) and keeps the $200,000. The Bank pays the savers 8% ($80,000) and keeps the %2 ($20,000) with which to pay-for-nourish its own consumption. Something amazing is going on here!!!. Interest rates motivate the accumulation of wealth and movement of money from minds-CPUs that have inferior ideas that can grow the economic pie slowly (0-8% rate) to minds that have superior ideas and can grow the economy faster (> 10%) thus giving a tremendous sort of ‘computational boost’ to society. To the economically ignorant, banks-financier-money-lenders, making a living by charging interest without seemingly having to “sweat” seems immoral-unethical, but the economically woke can see how they play a vital role in pairing savings with the best ideas and the interest rate is like a barometer that helps decide whether a mind should do the saving or borrowing. The savings-wealth of the rich, like all wealth in the private sector, is eventually spent on the private sector sustaining efficient private sectors jobs that will tend to grow the economic pie by at least the prevailing interest rate. Taxing such wealth-savings from the rich just destroys those jobs-orders and leads to relatively unproductive government consumption. If you take away the wealth that the rich spend on creating yachts and big homes, you have destroyed the jobs-livelihoods of the yacht and big-home builders.

It is important to realize that, as the great economist Henry Hazlitt writes in his classic “Economics in One Lesson”:

“ “Saving,” in short, in the modern world, is only another form of spending. The usual difference is that the money is turned over to someone else to spend on means to [increase production”,](https://fee.org/resources/economics-in-one-lesson/)

and that this increase in production has to be at least large enough to pay back the loan with interest. The economically ignorant masses are unaware of the fact that thanks to the finance-banking sector, the savings of the much vilified “rich” is the very wealth that private sector workers consume while they go about increasing production by an amount greater than the current interest rate. Taxing “the rich” just removes this wealth and the private sector jobs it would otherwise sustain and gives it to government where it is inefficiently consumed while producing little in comparison leading to massive relative losses.

A society that saves little is sort of stuck in the same cycle of production and consumption and is unable to nourish a new business-idea-restructuring for the time it might take before it produces wealth. Where would our 10,000 airplane factory builders get the wealth to nourish their consumption for the 2 years it would take them to even begin making new planes if others had not saved it? How long would it take for such savings-wealth to exist if savings grow very slowly? On the other hand, a society that saves a lot is constantly making wealth available for superior ideas-businesses-restructurings and thus growing and advancing technologically much faster.

The more people save, the more money banks will have to lend out and the lower the interest rate will be as banks compete with each other by offering a lower interest rate to lure borrowers. This also means that there is more REAL wealth available to sustain more ideas-businesses, the REAL wealth that savers did NOT consume when they gave their money to banks. If interest rates are at 10%, it does not make sense to borrow-consume to nourish an idea-restructuring that will have a return on investment of less than 10%, but if they go down to 3%, then it does make sense for additional entrepreneurs to borrow and nourish ideas that will yield 10% ROI to profit the 7% difference. Now, VERY IMPORTANT!. What happens if interest rates are lowered, not because more saved-unconsumed wealth is available, but because central banks increased the money supply(“bank credit”) to “artificially lower” interest rates from the “natural rate” of 10%, to the “artificial rate” of 3%? What happens is that additional projects-ideas which would NOT have been attempted before will now be attempted even though the needed wealth to sustain them to completion will not exist eventually leading to a sort of “bust”-bankruptcies, and partly-finished projects which squandered wealth. Mises has a masterful analogy that goes as follows. At any moment in time given a certain real “natural rate”(again, we assume 10%), there exists enough wealth in terms of bricks-wealth needed to create 100 buildings-projects. If people have really saved more to bring down the interest rate from 10% to 3% there are now more bricks-wealth and 120 buildings-projects can be completed, but if the interest rate has gone down to 3%, not because there really are more bricks-wealth-savings, but because more money has been created, the bases and some scaffolding for 120 buildings is attempted, but eventually, due to the fact that there are now more businessmen with more newly created money which was used to lower the interest rate competing for the same amount of bricks-wealth, the price of bricks (factors of production like labor,land,energy,materials) goes up more than would have otherwise been the case, which eventually causes many entrepreneurs to face the unavoidable fact that there did not exist enough wealth-bricks at the right prices to complete their projects in a profitable way, therefore a sort of bust-chaos and loss of wealth will eventually happen as inevitable bankruptcies occur. Partly finished buildings that are inhabitable are obviously massive losses, and even though eventually perhaps 70 buildings are completed, the wealth-bricks that could have completed an extra 30 was consumed-used to create 50 unfinished ones. Mises summarizes:

“Credit expansion cannot increase the supply of real goods. It merely brings about a rearrangement. It diverts capital investment away from the course prescribed by the state of economic wealth and market conditions. It causes production to pursue paths which it would not follow unless the economy were to acquire an increase in material goods. As a result, the upswing lacks a solid base. It is not real prosperity. It is illusory prosperity. It did not develop from an increase in economic wealth. Rather, it arose because the credit expansion created the illusion of such an increase. Sooner or later it must become apparent that this economic situation is built on sand.”[(Mises L. v., 2006, p. 162)](https://books.google.com/books?id=n2o4k-RaWrcC&pg=PA162&lpg=PA162&dq=%22that+this+economic+situation+is+built+on+sand%22&source=bl&ots=J362cHTdkY&sig=ACfU3U2dd0wZHn-qAwigsnFxCOXK8hYdrA&hl=en&sa=X&ved=2ahUKEwi739ry0PDoAhUclnIEHcY5BzwQ6AEwAXoECAwQLw#v=onepage&q=%22that%20this%20economic%20situation%20is%20built%20on%20sand%22&f=false)

The sort of bust-chaos will occur in one of two ways depending on how the central banks act. If the myth-error that creating “liquidity”-money is beneficial persists as the government via the central banks attempts to ‘bail out’ more and more industries-businesses-people, either by sending money to people directly or adding it to banks to keep interest rates low and thus continuing the illusion that there is enough saved wealth-bricks, then the hopefully obvious result is hyperinflation and an intensifying unproductive chaos as money’s vital coordination of profit-loss-economic calculation breaks down, leading to more consumption than production, riots, famine, who knows. Eventually people will switch to a foreign currency or something else for money. The better scenario is that the central banks stop the money-creation. Remember, the creation of money just transfers wealth from society at large to the entities receiving the money, it is just a transfer of wealth. Unfortunately the wealth is being transferred to orders-governments-businesses that are misaligned, ultimately consuming more than producing, thus continuously shrinking parts of the economic pie, so you have less wealth and more money and the obvious relative higher prices. Stopping the money creation-inflation will do several beneficial things:

1. It will allow wealth to remain in the control of the brains that created it in the first place and thus contain superior ‘profitable information’, in other words, the information needed to order society in a manner that creates more wealth than it consumes which is precisely what is needed. When the government creates money and gives it to some entity, like when it sends a check to someone who lost his job due to Coronavirus lockdowns who will simply trade the money for wealth to consume, this obviously just reduces the economic pie while adding additional money leading to relatively higher prices so everyone else will consume less, and also incentivizes the person to not even work-produce. If the money is given to some inherently inefficient government bureaucracy we again have consumption by its employees with little wealth added in return thus continuing the relative shrinking of the economic pie and higher prices. If it is given to a private sector company, it will most likely be a misaligned-unprofitable order-company which will once again lead to a relative shrinking of the economy although not as severe or quickly as the first two scenarios.
2. Stopping money creation-inflation will also cause interest rates to rise to whatever level truly coordinates the level of savings and investment possible. Initially and temporarily this will be very high which is great, those projects-businesses for which there weren’t enough bricks-wealth to complete in a truly profitable manner and were fooled into trying by borrowing at low interest rates, will no longer be able to do so and finally go bankrupt and their ‘factors of production’ like existing buildings and labor, will be sold-laid off and their prices will come down enough to the point where entrepreneurs will once again be able to incorporate them into truly profitable plans-orders thus realigning the social structure of production in the best possible way. If 120 buildings-projects are mistakenly being attempted, you want those that can’t possibly be finished to fail as soon as possible so they stop consuming the wealth-bricks that can go to profitable plans/buildings.
3. The temporary high interest rates will also motivate people to save and thus consume less so they can earn the higher interest rates which will provide the necessary REAL wealth-savings to sustain further economic growth and also quickly bring down interest rates to more normal levels.

Again, the information needed to organize labor-society can only be discovered and acted upon by free people-entrepreneurs who are at the right time and place and have the ideal incentives. Taxes, or creating money which is just another way to transfer wealth or tax, simply removes wealth from the private sector where it is part of profitable orders which grow the economic pie on average at a rate greater than the prevailing interest rate, and gives the wealth to government which for the most part just consumes it adding little productivity in return leading to horrendous relative losses of prosperity-progress. No matter how chaotic it might seem due to the potential number of bankruptcies, the quicker we allow them to occur and prices to fall, the quicker will entrepreneurs-people discover how to once again order labor and existing “factors of production” in profitable and thus truly pie-increasing ways. This applies just as much to a recovery from a Central Banking-inflation-created business cycle as it does to quickly figuring out how to reorder millions of people who are out of work due to Coronavirus-hype and related government lockdowns. Right now I could easily hire 50 people in my building for $1-hour and rent them out to give massages, do laundry, deliveries, etc., however, competition from other entrepreneurs-brains-CPUs-themselves who have superior information would pay them more and thus lure them away from my inferior order so that very quickly everyone would be incorporated in the most profitable plans the millions of competing brains can come up with. It is of course vitally important that minimum wage laws are abolished so we allow all profitable ideas-restructurings to occur.

The Coronavirus lockdowns have led to more consumption than production thus obviously shrinking the economic pie. The less seed a farmer has to plant for the next crop, the smaller the crop will be. Since there exists less wealth, the wealth that can be traded for people’s labor will be smaller and therefore people should expect lower wages. Most of the 35+ million people who have lost their jobs would probably be able to work in the same companies as before if they are wise enough to accept correspondingly lower pay. Most of us have been made poorer, we will have less wealth to trade for meals at restaurants which means less wealth-revenue for restaurants and correspondingly smaller wages if they are to remain in business-profitable. Since many businesses, especially restaurants, already pay minimum or close to minimum wages, many will not be allowed to lower wages and have to stop producing altogether.

When a business like an airline goes bankrupt and ownership-assets are now in the hands of creditors, what usually happens is that the creditors are motivated to sell the business to a competitor who is likely to have the best ideas-information leading to profitable use of resources-labor and will thus typically be the highest bidder for the old airline-business. That’s all, financiers-investors take losses and often employees also see their wages reduced as part of a now-profitable company-order. Economic education is obviously the most important thing needed to allow the necessary freedom for this to happen.

Hayek summarizes the cure:

“And, if we pass from the moment of actual crisis to the situation in the following depression, it is still more difficult to see what lasting good effects can come from credit-expansion. The thing which is needed to secure healthy conditions is the most speedy and complete adaptation possible of the structure of production … determined by voluntary saving and spending. If the proportion as determined by the voluntary decisions of individuals is distorted by the creation of artificial demand, it must mean that part of the available resources is again led into a wrong direction and a definite and lasting adjustment is again postponed. And, even if the absorption of the unemployed resources were to be quickened this way, it would only mean that the seed would already be sown for new disturbances and new crises. The only way permanently to “mobilize” all available resources is, therefore, not to use artificial stimulants—whether during a crisis or thereafter—but to leave it to time to affect a permanent cure by the slow process of adapting the structure of production to the means available for capital purposes.” [(Hayek F. A., 1932, pp. 86-87)](https://cdn.mises.org/Prices%20and%20Production_5.pdf)

#### **You can’t print savings-wealth. The Errors of Keynes, Krugman and the mainstream.**

It should be easy to see that you can’t “print savings” at least not the REAL wealth-savings that the REAL world needs, yet to John Maynard Keynes, arguably the most famous mainstream economist, such money-only savings [“are just as genuine as any other savings”](https://www.marxists.org/reference/subject/economics/keynes/general-theory/ch07.htm) (Keynes, 1936, p. 47) Let’s look at another absurd statement from Keynes which further reflects the utter ignorance of the vital role savings play in the economy:

“…whenever you save five shillings, you put a man out of work for a day. Your saving that five shillings adds to unemployment to the extent of one man for one day — and so in proportion. On the other hand, whenever you buy goods you increase employment…For if you buy goods, someone will have to make them. And if you do not buy goods, the shops will not clear their stocks, they will not give repeat orders, and some one will be thrown out of work. Therefore, oh patriotic housewives, sally out to-morrow early into the streets and go to the wonderful sales which are everywhere advertised. You will do yourselves good…And have the added joy that you are increasing employment, adding to the wealth of the country because you are setting on foot useful activities…Surely all this is the most obvious common sense. For take the extreme case. Suppose we were to stop spending our incomes altogether, and were to save the lot. Why, every one would be out of work. And before long we should have no incomes to spend.” [(Keynes, 1963, pp. 152–3)](https://www.economicsnetwork.ac.uk/archive/keynes_persuasion/Saving_and_Spending.htm)

Wow! First of all, when most people save their money they invest it, which for the general case here we’ll just assume that it is loaned out at interest. The money still gets spent by the borrowers as Hazlitt already reminded us. With respect to his “extreme case” where people save all their income and don’t spend. Why bring up such a foolish scenario that would never be in anyone’s best interest to attempt? Who does not want to trade-spend for the food, gasoline, wealth they need to survive?

Keynes, like most of his adherents (and the public at large sadly), is also utterly ignorant of the vital fact that ‘economic activity’ must be coordinated in a way that produces more than it consumes, otherwise it is obviously shrinking the economic pie. Yet this coordination requires precise knowledge and is something only millions of free individuals and businessmen can achieve by using profit-loss calculation at the individual, household, and corporate level. Unaware of this, Keynes disastrously encourages the purposeful destruction of wealth just so people are put to work rebuilding it even though the effects of this are a massive shrinking of the economic pie. He writes:

“…activity of one kind or another is the only possible means of making the wheels of economic progress and of the production of wealth go round again.…why not pull down the whole of South London from Westminster to Greenwich, and make a good job of it…Would that employ men? Why, of course it would!” (Keynes, 1963, pp. 153–4)

One should not be fooled by fancy money-related terms or mathematical equations. Complex-looking mathematical equations-models-Econometrics are just as inappropriate for making sense of the socioeconomic order as they are for making sense of how trillions of cells and bacteria coordinate the biological one. As Mises writes:

“As a method of economic analysis econometrics is a childish play with figures that does not contribute anything to the elucidation [of the problems of economic reality”](https://mises.org/library/what-wrong-econometrics) (Mises, 1962, p. 63)

If you just keep your eye on the cycle of wealth production and consumption, most economic fallacies can easily be avoided. The housing that comprises the ‘South of London’ exists, it is then destroyed thus a huge loss in wealth has occurred, then a massive amount of existing wealth has to be consumed in terms of food-energy-materials-etc. to sustain many men who produce new buildings. The net result is the loss of existing housing and the wealth needed in exchange for new buildings. Had the housing not been destroyed, Londoners would’ve still had them plus new housing or whatever else the men would have produced as they consumed the same amount of existing wealth as before.

So the erroneous belief that real savings-wealth can be “printed” to then “stimulate the economy” (i.e. ‘activity of one kind or another’ even if you have 0 regard for whether the people are ordered in a way that produces more than it consumes), provide the one-two punch of fallacies that keep the mainstream slightly smarter apes making the same errors over and over, culminating in the most horrific economic fallacy that could possibly exist, that war is good for the economy and its corollary, that World War Two is what got the USA out of the Great Depression of the 1930s. Consider the following absurdity by 2008 Nobel Laureate in Economics Paul Krugman:

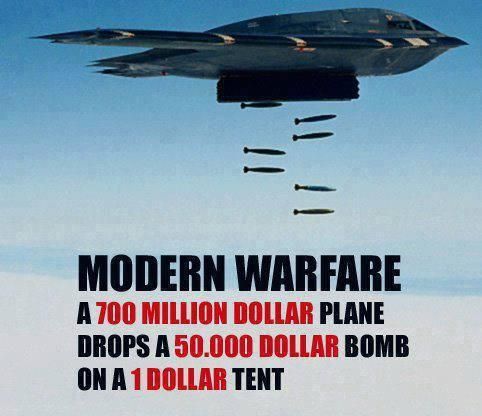
“Think about WWII…it brought us out[of the great depression]. If we discovered that, you know, space aliens were planning to attack and we needed a massive buildup to counter the space alien threat…this slump would be over [in 18 months”](https://www.youtube.com/watch?v=MuI9C3Tv4Mk)

How can getting millions of people to consume-‘wear-down’ existing wealth to produce weapons which are then used to destroy fellow human beings and their property be anything other than an obvious reduction in life-wealth-order? Krugman’s statement is the perfect example of what Mises once told students:

“Don’t be afraid to speak up. Remember, whatever you say about the subject and however wrong it might be, the same thing has already been said by some eminent [economist.”](http://www.libertarianpress.com/rothbard/essential/toc.htm)

Unbeknownst to most, today we find ourselves in a situation far, far, far more dangerous than that which led to World War One. The world is littered with nuclear weapons controlled by tribalistic ideologues-apes who know nothing about human nature, history, or economics. Numerous economic fallacies in their world-views inevitably take mankind towards economic warfare via tariffs-sanctions, escalations, alliances, increasing polarization and rate at which sparks ignite, until the statistical certainty that another all-out disaster occurs, and the USA is accelerating this process tremendously with nearly weekly sparks in its dealings with Russia, China, Turkey, Syria, Iran, North Korea, etc. Every year, well over 1.2 trillion dollars worth of civilian wealth in terms of homes, cars, energy, medicines, etc., (an amount similar to the entire productive output of Mexico which has the world’s 15th largest economy), is consumed by the millions of people employed by the United States’ national security bureaucracy-military and its associated contractors as they produce push-ups, military drills, nukes and other weapons of destruction. In 2015, for every dollar spent in research and development by the world’s ten biggest R&D spending corporations, companies that harmoniously integrate and nourish some of the most hardworking and talented people from nearly every corner-faith-ethnicity of the world, companies like Amazon, Google, Microsoft, Volkswagen and six others…the United States’ National Security-Military bureaucracy consumed nine dollars (109 billion compared to over 1 trillion). In all likelihood, yearly US Military-related spending-consumption is comparable to what the entire planet spends on research and development. Militaries, being massive government MONOPOLIES which are also protected by flag-waving tribalism-patriotism, take wasteful inefficiency to unprecedented levels leading to [$1,280 cups, $999 pliers, and $640 toilet seats.](https://mises.org/power-market/f-35-15-trillion-boondoggle)

The meme below is another powerful reminder of the economic ignorance that is destroying the American economy.



As a young man in Saudi Arabia, Osama bin laden studied economics and business administration at King Abdulaziz University and his understanding of economics became his main weapon. By motivating his enemies(Russia and USA) to increase military spending-consumption he caused them to sort of destroy themselves from within, making Paul Krugman bin Laden’s best soldier. He tells us his strategy:

“We, alongside the mujahedeen, bled Russia for 10 years until it went bankrupt and was forced to withdraw in defeat,” “We are continuing this policy in bleeding America to the point of bankruptcy. Allah willing, and nothing is too great for Allah,” “All that we have to do is to send two mujahedeen to the furthest point east to raise a piece of cloth on which is written al Qaeda, in order to make generals race there to cause America to suffer human, economic and political losses without their achieving anything of note other than some benefits for their private corporations,” “Every dollar of al Qaeda defeated a million dollars, by the permission of Allah, besides the loss of a huge number of jobs,” “As for the economic deficit, it has reached record astronomical numbers estimated to total more than a trillion dollars.” “And it all shows that the real loser is you,”…“It is the [American people and their economy.”](https://www.cnn.com/2004/WORLD/meast/11/01/binladen.tape/)

Mankind is already fortunate to have made it this far without a nuclear war. For example, during the 1962 Cuban Missile Crisis, had it not been for Russian submarine commander Vasili Alexandrovich Arkhipov’s sole dissenting vote in a decision to launch a nuclear strike against the USA, mankind might have already suffered a nuclear holocaust.

### The Benefits of Immigration.

The free migration of people allows them to quickly become parts of and expand the most productive orders thus vastly increasing production. A person in Africa is stuck in an unproductive order which lacks good laws (respect for private property of course), roads, advanced tools-factories, large groups of already-highly-educated and productive minds-order so his production might be $5 per day. By just moving to a more advanced-productive country-area like the USA, even without knowing English, he can do many jobs managed-aided by a bilingual English speaker when necessary and easily increase his rate of production to say $7-hour or $56-day, an 11-fold increase in his rate of production, benefiting his life tremendously and that of existing American-world producers because they now have additional customers that can actually afford their products instead of poor Africans that can’t. In countries like China, every day thousands of relatively unproductive farmers who are producing wealth at a rate of say $10-day are moving to cities to join-‘work-with’-use factories which might triple their rate of production to say $30-day. Similarly, one of the reasons why the USA has been far more productive than the similarly sized Europe is because people have had the freedom to easily move to the areas-companies that are more productive and there have been no internal tariffs and other impediments to free-trade and thus ‘competitive knowledge discovery’ within a large area and population. When countries allow foreign investment, they make it profitable for wealth to be shipped to poor countries to create the tools-factories-order that can increase the productivity of workers, but it is even better when the workers have the freedom to quickly move to and incorporate themselves with the already existing more productive order.

### Cultural Evolution

Knowing that 'private property' is the simple tradition from which emerges a chain-reaction of incentives which creates civilization, we can look at the past and easily see that those cultures whose customs inadvertently became more peaceful and thus less violent, extended peace, friendship, trade to those outside the tribe, etc., in other words, respected ‘private property’ and thus individual liberty more and more, would inadvertently gain the benefits of superior ‘competitive knowledge discovery’, become more advanced-powerful, and as they grew, they would inadvertently spread the very customs and evolving economic system (capitalism) that allowed them to reach such relative heights. This ‘cultural evolution’ happened mostly without the design, intention, or the “reason” of the slightly smarter apes. A great example of this process was the ‘Protestant Reformation’. For centuries the Catholic Church’s traditions-myths held immense coercive-monopoly-competitionless power which prevented or retarded individual freedom and resulting ‘competitive knowledge discovery’. In the early 1500s, among other religious reinterpretations, Martin Luther preached that indulgences (payments to the Catholic Church to help one go to heaven) were unnecessary, that a person could go to heaven by believing in Christ without the Catholic Church’s approval, and that the Bible itself, not the Church’s edicts-interpretations was what mattered. This helped reduce the coercive-monopoly power of the Catholic Church and spark a pro-freedom and thus emergent ‘competitive knowledge discovery’ that would lead to skyrocketing rates of innovation-production-prosperity in Europe-Christendom. Now, very important! Did Martin Luther “reason” that his religious reinterpretations would accelerate ‘competitive knowledge discovery’ leading to global Capitalism and Homo sapiens’ recent sky-rocketing prosperity? Of course not! Just like solitary cells millions of years ago inadvertently created the respiratory-circulatory-nervous-etc. “systems” that led to multicellular organisms without ‘designing them’, so is the free-market-Capitalism “indeed the result of human action, but not the execution of any human design” (Adam Ferguson) or as Carl Menger writes, it arose “as the unintended product of historical development”. Hayek elaborates regarding the tradition of 'private property' and thus all the emerges from it:

“…I am quite convinced nobody invented it for a known purpose, and to me the proof of this is that even now hardly anybody yet understands what the advantages of private property and the market society are.” (Hayek essay “Individual and Collective Aims” published in “On Toleration” ISBN 0–19–827529–3)

“We have never designed our economic system. We were not intelligent enough for that. We have stumbled into it and it has carried us to unforeseen heights and given rise to ambitions which may yet lead us to destroy it.”

### The Evolution of Money: Menger’s Flux-Capacitor Idea of the Social Sciences.

In our earlier example showing the benefits of trade and resulting ‘division of labor-knowledge’, what if Tom was not interested in Mark’s pastries and wanted a blanket instead? Mark would have to find the blanket-maker, hope he was interested in his pastries, make the trade, and finally trade the blanket for the basket. But what if the blanket-maker was not interested in pastries either and wanted wine instead? One gets the point. This problem, of having to run around setting up intermediate trades to make the trade you really want is commonly referred to as “The Double Coincidence of Wants” problem because for a trade to happen you need the coincidence that both parties are interested in the goods they have available for trade. We must always keep in mind that biological order-life, whether it is the cells that make up a person, and therefore the person and therefore the social order, is in a constant cycle of production and consumption of wealth. Simply being alive has a cost, in other words, the amount of wealth that must be consumed in order to stay alive. The man who spends 3 hours setting up a trade is consuming food-energy, his family and all that depends on his production will be consuming as well. The more time-wealth you have to spend-consume running around setting up the intermediate trades the higher the ‘cost of transaction’ becomes and the less time you have for production, and there will come a point where you will be more productive hunting and gathering and abandoning all the benefits of trade than spending all day setting up intermediate trades while you starve to death. So the great benefits of trade like the division of labor and knowledge which is necessary for civilization can only be realized if we solve the double coincidence of wants problem.

This is where the evolution of money plays a vital role. Founder of the ‘Austrian School of Economics’ Carl Menger’s explanation of the emergence of money and its ramifications is the “flux-capacitor” idea of the social sciences. It is the idea that makes ‘time-travel’-‘understanding society’ possible and is in all likelihood the most important insight to have coalesced in the mind of a human being.

As people traded, they realized that there were some goods that most people were willing to trade for, not necessarily because they wanted to consume them, but because they knew they could later use them to trade for the things they really wanted. For example, let’s assume Mark is now a member of a 1,000 member market-oriented society where goats were very common. People could use them for their skin-fur, milk, and meat, and most households had at least a few. Because of this, even if Mark already had more goats than he needed for milk-skin-meat, he would still be willing to accept them as payment for his pastries because he knew that given the goats’ popularity there was a high chance that he could later trade the goats for the other goods he really needed. Even if the ‘basket-maker’-Tom did not want Mark’s pastries there would be a good chance that he would accept one of his goats, and even if he didn’t want the goat either and Mark had to contact the blanket-maker, if he did accept the goat it would have saved Mark from having to see if the wine-maker would trade with him. Essentially what happens is that by offering to trade a more popular good Mark increases the chances that his attempt at trading will be successful so the average number of intermediate trades goes down the more widely accepted the goats are.

Once people started using a common ‘medium of exchange’(the goats) the double coincidence of wants problem went away and goats became the money in the society. The more people, say Adam, Biff, and Cindy, started accepting goats in exchange for their products, not just because they valued the goats due to their milk-fur-meat, but because they too realized that they could later trade them for what they wanted, in other words, the more people valued them as money, the more incentive others, say Dan, Ellen, and Frank, would have to also accept goats as a form of payment because they saw how Adam, Biff, and Cindy would later accept the goats as well. Goats now were valuable for 4 things, their skin-fur, milk, meat, and as money, as something people value because others will trade for it, therefore making the goats valuable and tradable with an even greater number of people. More people begin to accept goats as payment because they realize they can trade them with more people, leading to more people noticing that more people are accepting goats and so on, until eventually the majority of people, if not all, would be using goats and thus goats became the major source of money.

Without money one trades two specific goods for each other but a lot of unproductive time and effort must be wasted making intermediary trades to trade for what you really need. Using money two quick trades take place, first one quickly trades a specific good for the generally accepted good (money), then one quickly trades the generally accepted money for what one really needs. Mark would sell a batch of his coconut pastries for money (a goat), and then quickly trade the goat for the basket or knife, assuming everyone accepts goats by now. Thanks to money, very little time, effort, and consumption needs to take place while one does the trading, leaving that time/wealth available for increased production and growth. In other words, the ‘transaction costs’ have been greatly reduced.

In the example above as well as in the real world it is important to note that money was not a deliberate invention on the part of any individual or government. What eventually becomes money naturally arises as it is inadvertently selected by people following their own selfish interests. By inadvertently overcoming the ‘Double Coincidence of Wants’ problem, these societies inadvertently enjoyed the benefits that trade brings to a social order. As Menger tells us:

“As each economizing individual becomes increasingly more aware of his economic interest, he is led by this interest, without any agreement, without legislative compulsion, and even without regard to the public interest, to give his commodities in exchange for other, more saleable, commodities, even if he does not need them for any immediate [consumption purpose.”](https://mises.org/library/nature-and-origin-money) (Menger, 2007, p. 260)

The easier it is to trade, the more fluid, and faster the previously mentioned benefits of trade occur and the faster the society that benefits from them will be able to constantly rearrange its social order into increasingly more productive and technologically advanced states.

Given that money greatly facilitates trade and therefore greatly increases the rate at which a society progresses we have to now consider what qualities lead to the best money. For example, let’s say a society uses elephants for money, elephants are big and indivisible. You might be interested in trading some of your elephants for blankets but you feel like one elephant for one blanket is way too much, unfortunately you can’t offer a quarter of an elephant. Elephants can also run away, get sick and die, and can get very angry and destroy property. So a society that used elephants for trading might miss out on many trading opportunities. So what are some of the qualities that make good money?

1. Wide acceptance as a medium of exchange. You want the money to be accepted by as many people as possible, this allows you to trade for the most amount of goods and services. Goods and services that now become available to your calculating brain.
2. It should be seen as valuable by itself, like gold for example. Gold can be used as money yet it is valuable for ornaments and industrial purposes. This greatly helps meet quality #1. If something is valuable by itself, more people are willing to trade for it which means that you will be able to trade this money for a greater amount of goods and services.
3. You want money to be durable. You don’t want your money to be burnt away, or die or run away from you like an elephant can. You want it to be a durable store of value.
4. Divisible and easily aggregated. You want to be able to divide the money into smaller units to enable trades for items of low value and you also want to be able to combine your money into large quantities to facilitate expensive trades.
5. Convenience. Money should be convenient to carry and transfer.
6. Money should be relatively scarce or hard to manufacture. If the money is easy to manufacture, then people have more incentive to create money than to actually produce real wealth. If dirt is accepted as money then people will just dig dirt and offer that in exchange for goods from fools. The economic pie is increased by dirt, while it is reduced as the dirt-making people consume the real wealth they were able to exchange the dirt for. A society that uses an abundant thing like dirt for money would have the products it produces brought into the possession of people that came up with the best way of creating money-dirt as opposed to the people that added useful products or services. Once again try to picture it from high above. When Alan started using money to build his castle, the most important things in society, the people and their brains were drawn and directed away from productive activities that were good for the whole social order, activities which increased the economic pie of useful goods. The useless and damaging knowledge of counterfeiting was rewarded. Given that money can be used to restructure the actions of the social order it is of vital importance to societies that those who obtain money do so by producing things of value to society, in other words, by increasing the economic pie of socially desirable goods, goods that people are willing to freely trade their money-wealth for. If Alan would have produced many great things of value to society in exchange for money and then used his large savings, which came from previous socially beneficial production to build his castle, although the effects would have been similar(prices would have first declined as Alan removed money from economy as he saved it, and later increased as Alan injected his savings back into the economy), society would have benefited in the past from all the great things Alan produced which would have strengthened it or improved it in some way. The destructive effects of inflation will plague societies that make the mistake of using money that can be easily manufactured or counterfeited. Their productive structures will be distorted leading to a weaker and less productive social order. Good money forces every brain to think of a way to add something to the economic pie that society values and is willing to trade for(for most of us we add our labor). It forces everyone to always take part in the endless pie-increasing-cycle of production-trade-consumption. Good money can be trusted to show the optimal relationships between the values of goods in society and make efficient social calculation possible. Bad money will cause a society to have its structure distorted for the benefit of the people controlling the money supply like Alan did in our simple example, or as is the case in real life, governments and their well-intended-yet-economically-ignorant tribal politicians. Once ideologues-politicians-technocrats can just acquire wealth by creating money, whether malicious, or just economically clueless, they can bypass the will of citizens and “Taxation without representation” is bypassed.

Cattle were the most commonly used form of money in early civilizations, Menger again:

“In the earliest periods of economic development, cattle seem to have been the most saleable commodity among most peoples of the ancient world. Domestic animals constituted the chief item of the wealth of every individual among nomads and peoples passing from a nomadic economy to agriculture. Their marketability extended literally to all economizing individuals, and the lack of artificial roads combined with the fact that cattle transported themselves(almost without cost in the primitive stages of civilization!) to make them saleable over a wider geographical area than most other commodities…The trade and commerce of the most cultured people of the ancient world, the Greeks … showed no trace of coined money even as late as the time of Homer. Barter still prevailed, and wealth consisted of herds of cattle. Payments were made in cattle. Prices were reckoned in cattle. And cattle were used for the payment of fines… Among the Arabs, the cattle standard existed as late as [the time of Mohammed.”](https://books.google.com/books?id=pFva23_vWzkC&pg=PA263&lpg=PA263&dq=%22In+the+earliest+periods+of+economic+development,+cattle+seem+to+have+been+the+most+saleable%22&source=bl&ots=ibFegT8Qx5&sig=ACfU3U0B3UP9h1e5nYML-xcn9LJt9J13ig&hl=en&sa=X&ved=2ahUKEwjsi4a2tPnrAhXOpFkKHXvPD1UQ6AEwBHoECAgQAQ#v=onepage&q=%22In%20the%20earliest%20periods%20of%20economic%20development%2C%20cattle%20seem%20to%20have%20been%20the%20most%20saleable%22&f=false) (Menger, 2007, p. 263)

Just like complex environmental factors create selective pressures that favor the spread-emergence of certain genes-information, the advantages of living in cities allowed for superior ideas to emerge and spread faster, so incentives-pressures to “select” a more suitable money for city-life arose leading to a change from the ‘animal standard’ to the metallic standard and eventually by the early 20th century gold had been ‘naturally selected’ as the best money. Let’s briefly discuss why. It is widely accepted as money, everyone knows gold is valuable and willing to accept it as a form of payment. Gold does not rust or burn away, it can be stored and not decay for an eternity as far as people are concerned, it is durable. It can easily be melted and divided into smaller pieces of any size and also combined to make large purchases. It is easy to carry around. It is very heavy but by the time it gets too heavy to carry you are making very large and infrequent purchases. BUT MOST IMPORTANTLY…Gold is relatively scarce or hard to acquire. If the money is easy to manufacture then people have more incentive to create money than to actually produce real wealth which would weaken the social order relative to others who had better money.

By the early 20th century gold had arisen as the best money. It met all the criteria previously described, helped people all over the world trade and therefore expand the division of labor and knowledge all over the world, bringing great benefits to those societies that embarked on trade. It is important to note that just like money was not consciously “invented” by people neither was the gold standard. Mankind invented money and the gold standard as much as it invented us.

Let us remind ourselves that since gold can’t be “printed” and thus easily increased-controlled by a single body which can then use it to warp the social order via central planning like Alan did, the ‘gold standard’ inadvertently made it much harder for governments to grow thus keeping more wealth in the pie-increasing-innovating-peaceful competitive private sector. A bad idea that requires directly taking wealth from people is much easier to correct than one which can acquire the wealth it needs by just creating money and sort of fooling the public-itself. The gold standard made it much harder for the slightly smarter apes to go to war with each another because the true costs-consumption of war will easily reflect itself in painful higher taxes and thus a proper cost-benefit analysis of the war by the public-king will help the ideas of peace and mutual understanding compete with the tribal-innate good-us vs. evil-them. But with inflation-money-creation, such evolved constraints-wisdom which helped prevent war and central planning are discarded. It should then come as no surprise that the most horrific disasters the slightly smarter apes get themselves into, massive world-civil wars and the viral spread of central planning ideologies to various degrees have coincided with the abandonment of the evolution-created-international-gold-standard and a move towards the “rationally” constructed “fiat”-paper-electronic convoluted mess we have today. In the old days, rulers-kings would sometimes run out of gold with which to pay their troops and the wars would end, but this would not be the case as central banking began to emerge, giving “great leaders” a new way with which to sustain and prolong to even more severe levels the destruction that war and central planning brings. As Prof. Salerno mentions in one of his many great lectures at the Ludwig von Mises Institute:

“Wars have invariably been financed by printing money since the invention of paper money. Indeed, it might be said that paper fiat money and central banks were invented mainly to finance wars. The first irredeemable paper currency in the Western world was issued in 1690 by the British colony of Massachusetts in order to pay its soldiers in its sporadic wars of plunder against the French colony of Quebec. The first central bank in history, the Bank of England, was established in 1694 to finance the mercantilist and imperialist foreign policy of the Whig party that had gained control of [the British government.”](http://www.mises.org/multimedia/mp3/misescircle-ny06/Salerno.mp3) (Salerno, 2006)

The monopolizing of the banking and financial institutions by governments and their “experts” and regulations has not only helped create all sorts of crises, it has also retarded the further evolution of financial institutions themselves, with bitcoin and cryptocurrencies being the new exception-competition. The following quote by Hayek captures all this beautifully:

“…Like morality, law, language, and biological organisms, monetary institutions result from spontaneous order — and are similarly susceptible to variation and selection. Yet monetary institutions turn out to be the least satisfactorily developed of all spontaneously grown formations. Few will, for example, dare to claim that their functioning has improved during the last seventy years or so, since what had been an essentially automatic mechanism based on an international metallic standard was replaced, under the guidance of experts, by deliberate national ‘monetary policies’. Indeed, humankind’s experiences with money have given good reason for distrusting it, but not for reasons commonly supposed. Rather, the selective processes are interfered with here more than anywhere else: selection by evolution is prevented by government monopolies that make competitive experimentation impossible.” (Hayek, 1988, p. 103)

And again, more concisely:

“the basic tools of civilisation – language, morals, law and money – are all results of spontaneous growth and not of design, and of the last two organized power has got hold and thoroughly [corrupted them”](https://books.google.com/books?id=9IpEBAAAQBAJ&pg=PA495&lpg=PA495&dq=%22last+two+organized+power+has+got+hold+and+thoroughly+corrupted+them%22&source=bl&ots=uofnkCSJes&sig=ACfU3U1sbjb7_naq8xk8-ZqOAzSakIjSeQ&hl=en&sa=X&ved=2ahUKEwj37avy_uLsAhUjwVkKHa0iBaMQ6AEwA3oECAEQAg#v=onepage&q=%22last%20two%20organized%20power%20has%20got%20hold%20and%20thoroughly%20corrupted%20them%22&f=false) (Hayek, 1981, p. 163)

Consider the following, right now you are an incredibly complex order, yet going without oxygen for a few minutes will cause a sort of “economic chaos” in your body that will make it impossible to recover from even if oxygen becomes available again. The same thing WILL happen to the social organism if the world-wide division of labor and monetary system breaks down, perhaps even for just a few months or less, or if a few key cities or financial institutions-system are disabled in either a cyber-attack or inevitable bug-error, or as we are seeing due to the Coronavirus because the apes scare themselves into totalitarian paralysis. Just imagine what would happen if the electronic systems that coordinate how the banks interact with the Federal Reserve breaks down for just a few weeks, and that for whatever reason credit cards and checks or transfers don’t work during that time thus leading to a complete breakdown of monetary profit-loss order-sustaining calculations leading to a rapid pie-decreasing chaos. Totally clueless bureaucrats-apes and “great leaders” might succeed in getting enough people behind them to carry out some master plan, but the apes would consume more wealth-order than it actually produces as it “succeeds” in carrying it out thus continuing the socioeconomic destruction because ONLY freedom and privatization with a sound monetary system and profit-loss calculation in the private sector can create socioeconomic order. A modern gold standard where real physical gold is distributed throughout society might prevent against such disaster. But discussing hypothetical improvements to our eventual monetary chaos is beyond our scope. We just want to understand the potential fragility of the socioeconomic order since it is something that has sort of evolved without hardly anyone really understanding how it works and the slightly smarter apes can destroy it at any moment like they did during Lenin’s Communist-Bolshevik revolution which we’ll soon discuss.

We have discussed how from the tradition of private property(1) emerges the ‘freedom to trade’(2) which leads to the emergence of the ‘division of labor and information’(3), ‘competitive knowledge discovery’(4) which helps civilize our morals and discover the truth, and ‘economic calculation’(5). The emergence of these 5 and other parts of ‘the market process’ are as unplanned-undesigned as money whose evolution was needed to enable the above to function in large numbers of people. This is key for understanding why we live in this complex society which hardly anyone understands and with our “reason” we constantly attempt to destroy via central planning.

Again, we are slightly smarter tribal apes that have been “civilized” and turned into members of Spencer’s “Social Organism” by the same process that turned solitary cells into complex multi-cellular organisms. “Processes of selective evolution”. If every cell in our bodies suddenly had the same intelligence and ability to reason that we do, including our current understanding of biology, they would wake up to a bewildering complexity and attempt to use their “reason” to impose a supposedly superior plan-order and while doing so wrecking the far more intelligent systems that evolution-competition had fine-tuned for billions of years. The “reason” of so many intelligent and well educated intellectuals during the last couple of centuries led them to attack private property and the freedom that grows from it because they erroneously thought it led to ‘exploitative capitalism’, ‘social injustices’, and thought that central planning-regulation by well-intentioned-educated “experts” and resulting competitionless-monopolistic bureaucracies would lead to far more prosperity. They were wrong of course, their “reason” proved to be far less intelligent than the evolved traditions which protected-invented “private property” and the ‘market process’ that emerged from it which hardly anyone at the time (or today) understood.

### Cultural, not Biological Evolution is the key.

We must stress the fact that the cultural evolutionary process which has created ‘the market process’ is much, much faster than the slow genetic biological evolution thus rendering slight genetic differences between races-populations largely irrelevant. As Hayek tells us:

“With respect to what we mean by cultural evolution in a narrower sense, that is, the fast and accelerating development of civilization…Since it differs from genetic evolution by relying on the transmission of acquired properties, it is very fast, and once it dominates, it swamps genetic evolution” [(Hayek “Law, Legislation and Liberty, Volume 3: The Political Order of a Free People” 1981, p. 156)](https://books.google.com/books?id=9IpEBAAAQBAJ&pg=PA489&lpg=PA489&dq=%22With+respect+to+what+we+mean+by+cultural+evolution+in+a+narrower+sense,+that+is,+the+fast+and+accelerating%22&source=bl&ots=unmroxTPbu&sig=ACfU3U1hRwunoRJDJ9cd_DAAu0YcZ-uEoA&hl=en&sa=X&ved=2ahUKEwjZkY6Hw_jmAhWBMX0KHbatDF4Q6AEwAHoECAYQAQ#v=onepage&q=%22With%20respect%20to%20what%20we%20mean%20by%20cultural%20evolution%20in%20a%20narrower%20sense%2C%20that%20is%2C%20the%20fast%20and%20accelerating%22&f=false)

Also:

“…biological evolution would have been far too slow to alter or replace man’s innate responses in the course of the ten or twenty thousand years during which civilisation has developed…. Thus it hardly seems possible that civilisation and culture are genetically determined and transmitted. They have to be learnt by all alike through tradition.” (Hayek’s ‘The Fatal Conceit’ page 16)

As numerous great free-market thinkers like Mises, [Robert Higgs](https://mises.org/library/rise-west), and [Ralph Raico](https://mises.org/library/european-miracle-0) just to name a few have shown, during the last couple thousand years different groups of people in widely dispersed locations like, the Middle East, Asia, and Europe, traded the sort of title for most socioeconomically advanced places in the planet. Mises makes this point and criticizes people who focus on race:

“But it is by all means an unsatisfactory answer to say that a genius owes his greatness to his ancestry or to his race. The question is precisely why such a man differs from his brothers and from the other members of his race. It is a little bit less faulty to attribute the great achievements of the white race to racial superiority. Yet this is no more than vague hypothesis which is at variance with the fact that the early foundations of civilization were laid by peoples of other races. We cannot know whether or not at a later date other races will [supplant Western civilization.”](https://mises.org/library/human-action-0/html/pp/661)

With respect to the momentary lead in terms of civilization that China had, and the real reason why whites-Europeans had a recent relative lead, Hayek writes:

“…the history of China provides many instances of government attempts to enforce so perfect an order that innovation became impossible. This country, technologically and scientifically developed so far ahead of Europe that, to give only one illustration, it had ten oil wells operating on one stretch of the river Po already in the twelfth century, certainly owed its later stagnation, but not its early progress, to the manipulatory power of its governments. What led the greatly advanced civilisation of China to fall behind Europe was its government’s clamping down so tightly as to leave no room for new developments, while, as remarked in the last chapter, Europe probably owes its extraordinary expansion in the Middle Ages to its political anarchy” [(Hayek’s ‘The Fatal Conceit’ page 44)](https://books.google.com/books?id=YQLYAQAAQBAJ&pg=PA45&lpg=PA45&dq=%22Europe+probably+owes+its+extraordinary+expansion+in+the+Middle+Ages+to+its+political+anarchy%22&source=bl&ots=OdrpACuIRZ&sig=ACfU3U0bJQJuY3PuMN0tExE9cXiIi_mO7Q&hl=en&sa=X&ved=2ahUKEwjH94Xs5fDoAhW8knIEHWHYBS4Q6AEwBHoECAsQOA#v=onepage&q=%22Europe%20probably%20owes%20its%20extraordinary%20expansion%20in%20the%20Middle%20Ages%20to%20its%20political%20anarchy%22&f=false)

### Private Governance (The Wisdom of the Anarcho-Capitalists (Friedman-Rothbard-Tannehills)).

The “political anarchy” Hayek referred to in earlier quote just means that there was no central authority preventing-monopolizing legal-religious-moral-ethical knowledge and thus preventing the superior knowledge-discovery that cultural evolution-competition brings about. Not only does government stamp out competition which is the main selective-competitive process that helps us discover what is best in terms of how to go about providing goods and services but also what rules-laws, judicial-penal-transportation systems and more are best. As Hayek tells us “…selection by evolution is prevented by government monopolies that make competitive experimentation impossible.” (Hayek F. A., 1989, p. 103) Since freedom, decentralization, and the economic-legal-moral competition it creates is the best way to discover superior information and subsequent order, why not allow freedom-competition in things we usually associate with monopolistic governments like the legal and penal systems and more? The cultural evolutionary-competitive process that has shaped religions and more recently secular governments which provide such governmental functions has been happening blindly, and has been largely tied to the religious myths we inevitably see as absolutes, which explains why the legal-penal systems are still draped in religious-like mysticism. Think of priestly judges and their costumes-robes, temple-like court buildings-etc., but once we understand the competitive process we can use it to our advantage. Imagine if people could own large chunks of land and have more sovereignty or freedom as to what laws-rules people should abide by in them. Today the knowledge of how to plan a city, what laws-rules we should follow, what should be the repercussions of breaking such rules-laws, how to design a transportation-legal-penal system and so much more comes about the bureaucratic-monopolized-politicized process that shapes the inefficient public sector. By allowing people the freedom to create such cities we introduce competition in these areas which will discover superior laws-rules-contracts, ways to build transportation systems, ways to deal with people who break the rules and so on. If people wanted to move to such cities they would just sign a contract saying that they would abide by its rules, which is no different than what we do today when we move to a new country-state, which is just agreeing to abide by certain rules. This is similar to choosing product A over product B. In this case people are selecting one set of laws-rules over the other, nourishing a better social order-information while starving an inferior one. They vote for a better system with their feet.

Think about a small country like the island nation of Grenada. Grenada has about 110,000 people living in an area of about 130 square miles and its social order produced about 1.1 billion dollars’ worth of wealth in 2007. Like all modern nations its government has a monopoly on law enforcement, courts, defense, and many other services. Microsoft, Wal-Mart, and IBM coordinate about 90,000, 2,100,000 and 400,000 employees respectively and in the year 2008 had a combined productive output of about 500 billion dollars’ worth of wealth. If allowed, isn’t it obvious that the aforementioned companies or similar private sector orders, whose employees count among the world’s hardest working and best educated minds, would be better able to manage a similarly sized social order-city than the Grenada bureaucrats? Of course they would, and a similar line of thinking should apply to social orders or private cities of any size.

Just like we have companies that help manage condominiums, so would companies arise that would build and-or manage entire cities, these companies would contract other companies that specialized in creating transportation, legal systems, etc. The obvious desire and benefit of allowing smooth integration with other cities would evolve standards of interoperability similar to how the IT-Software world has evolved so much interoperability and standards among so much international freedom and competition.

Considerably more privatization, or a world without governments as we currently envision them might seem like a weird or shocking concept at first but upon closer examination its tremendous benefits and feasibility should become obvious. Take the provision of law enforcement for example(or any municipal service). Police departments are city-wide government monopolies, which like all monopolies, immune from competition due to government decree and economic ignorance grow to become gigantic consumptive bureaucracies. For example, California prison guards can earn upwards of $300,000 per year due to lucrative overtime pay. A police commander in Delray Beach, Florida, was making $90,000 per year when he retired at the age of 42 after working for 21 years. He got a $65,000 per year pension that is guaranteed for life, adjusted for inflation, and includes medical care. If we assume he dies at 82 years old, he would have worked for only about a third of his adult life and Florida taxpayers would have paid an additional $2.6 million plus medical expenses while getting nothing in protection services in return. There is nothing wrong with making a lot of money when one creates a lot of wealth and then trades such wealth in the free market, where competition ensures that the way such wealth was created is efficient, and is usually part of a profitable cycle that leaves the economic pie larger. But these people’s wages are not reflective of superior knowledge and productivity, they are reflective of the evolution of a political system dominated by self-serving unions and ignorant or flat-out corrupt politicians who find cleverer and more subtle ways to tax the public and believe that no price is too high to pay for such vital services. So how can privatization and competition be introduced in law enforcement and other sectors which we are so used to associating with inherently inefficient government monopolies?

A more privatized world should not seem so shocking when one realizes that our world as it currently works can already be seen as being privatized. By simply seeing each country’s government as a private corporation that has a rightful monopoly in the provision of everything the government does like courts, roads, law enforcement and national defense, we can already see the world as being 100% privatized. Each country’s government can be seen as a complicated set of laws that apply over a territory, or as a company that has a monopoly of providing law-courts-defense services over the territory it owns. It is important to realize that a company is really just a contract between individuals and the same can be said about a government. Just like corporations have their corporate bylaws where the people who create the company craft and agree to rules describing how various aspects of the company will be run, the US’s government can be seen as a corporation whose corporate bylaws are described in the US Constitution and the thousands of pages of existing regulations, etc. So just like governments can be seen in a more privatized way by thinking of them as private corporations, laws can be seen as clauses in a contract.

One of the most important things to realize is that the world currently works without a global government. For example, when someone commits a crime and flees the country, most countries have extradition agreements with other countries that dictate how they will coordinate the transfer of suspected or convicted criminals. And even when such formal agreements do not exist, as is the case with the US and China, it is in all nations’ best interest to coordinate in such matters and be seen by other nations as acting ethically. For the most part this works pretty well and we want things to be this way. We want “criminals” to have the option to flee to other countries because maybe they are not really criminals. What makes someone a criminal is relative to existing laws or rules. We would not want people fleeing a tyrannical government to be extradited back to their country of origin because they broke a law which most of us would consider absurd or unjust. This is one of the ways in which cultural evolution has been selecting superior laws. People have moved from oppressive societies and their bad laws to freer societies and their better laws, starving the oppressive countries of manpower and intellect, while nourishing the freer nations like the United States, helping them grow stronger which helps them spread their superior values and laws. We see this in CovidMania as people flee the more draconian lockdown-states like California and New York for no-lockdown Florida.

We should once again remind ourselves of the unintended evils of coercive-competitionless-monopolies-government, especially world government organizations like the World Health Organization. Their rules-regulations-laws are discovered via the usual mixture of human tribalism, economic ignorance, all kinds of special interests, corruption, and so much more. There is no competition, no voting with your feet once the laws-regulations apply to the entire world.

When farmers use selective breeding to create a bigger cow or ear of corn, they can be said to consciously use their knowledge of evolution to their advantage. When they breed a bigger cow, they do not know what genes or groups of them led to the bigger cow, but by selecting the bigger cow, they got the right genes without having to tinker with them. Just like a cow, society is a large organism, and in many ways the laws, customs, rules, knowledge, and regulations that it contains can be seen as genes. The way all of these things interact can be very complex and lead to results that are impossible to predict. We cannot just pass some law-rule and predict all future outcomes. For example, things like drug prohibition, appropriate age or method used to label someone a minor, and similar rules have countless unintended consequences, which might depend on the interaction with other social rules making it even harder to pinpoint how exactly each law-rule affects society. Just like changing a gene or two in an animal can lead to unexpected results as that gene interacts with many biological processes leading to who-knows-what given the complexities of an animal, so can the rules-laws of society. Just like the breeders select at the whole cow level based on simple criteria, like how much milk it produces, without knowing about the genes that achieve this, free individuals can choose to move to societies whose rules might lead to overall better results based on simple criteria without having to know how all the laws-rules-etc. lead to such a superior social order. For example, a person did not have to understand how the United States’ laws and social institutions created a better society than communist Cuba in order to want to come to the US. They just looked at simple things like how much they could afford given the money they expected to earn in their jobs.

By allowing more freedom and the ability to freely manage-create entire cities or anything else, we would consciously use cultural evolution to select for superior “breeds of laws-rules” and many other things just like biologists-farmers-fishermen use their knowledge of biological evolution to grow better crops-fish.

Understanding cultural evolution and the workings of the market process has been a little harder to see than biological evolution. Thanks to modern technology we can almost see the genes and evolution happen under our microscopes, but cultural evolution, the evolution of the market process, language, law, various socioeconomic institutions and so on are not tangible things that have led themselves to easier experimentation like the biological world.

As in the case of international law and things like extradition, one can see how the global lawful superstructure that we can naively expect a global government to carry out, does not need a global government and naturally evolves from the bottom up as the various sub-units/countries/individuals contract with each other. Private cities-kingdoms would create the same kinds of extradition contracts the way today’s countries have evolved them. If some kind of cooperation is truly in the best interest of all potential cooperators, whether they’d be individuals, or large groups of them, the contractual bonds that would solidify such cooperation will naturally grow from their self-interests. Again, whenever we expect things to be done, it comes naturally for us to envision some visible and deliberately created manmade leader-coordinator-structure-bureaucracy to be the one that carries it out, and we tend to be unaware of how a contractual structure that evolves through time can lead to superior results and is in fact what sustains the modern world.

The above should NOT be seen as some moralist crusade or desire to abolish governments. Like law, language, and ‘the market process’, governments have been crucial social institutions, we just want to understand their evolution and how to improve them to maximize prosperity. If the world’s governments were run by people familiar with Mises-Hayek-etc. and were focused on maximizing freedom and competitive knowledge discovery, all would be great, the problem is that governments are usually run by economically clueless apes who want to centrally plan and-or do other less than ideal things.