Henry George School

Classical Analysis

Course I : a ten-session inquiry into principles of political economy

Henry George School of Social Science
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CLASSICAL ANALYSIS OF POLITICAL ECONOMY COURSE I

* *A ten-week discussion course for busy adult students in late 20th century Western society.*

* *A complete course in itself, as well as Part One of a longer program of study.*

* *A guided discovery of principles of human action that form the basis of classical political economy: the liberal tradition of the French Physiocrats, Adam Smith, David Ricardo, John Stuart Mill, Henry George, Leo Tolstoy, Sun Yat Sen, Franz Oppenheimer, Suzanne LaFollette, and others.*

* *A reconstruction of old concepts in the light of new insights.*

* *An open-ended inquiry in which all have something to contribute as well as something to learn.*

* *A forum where freedom of speech is limited only by the equal freedom of others to speak - where fairness and courtesy reign.*

* *A place to discover the joys of reasoned thought, intellectual exchange, and open-minded consideration of new points of view.*

From SOCIAL PROBLEMS by Henry George (first published in 1883)

There come moments in our lives that summon all our powers - when we feel that, casting away illusions, we must decide and act with our utmost intelligence and energy. So in the lives of peoples come periods specially calling for earnestness and intelligence.

The progress of civilization requires that more and more intelligence be devoted to social affairs, and this not the intelligence of the few, but that of the many. We cannot safely politics to politicians, or political economy to college professors. The people themselves must think, because the people alone can act.

The intelligence required for the solving of social problems is not a thing of the mere intellect. It must be animated with the religious sentiment and warm with sympathy for human suffering. It must stretch beyond self-interest, whether it be the self-interest of the few or of the many. It must seek justice.

I ask no one who may read this book to accept my views. I ask him to think for himself.

Whoever, laying aside prejudice and self-interest, will honestly and carefully make up his mind as to the causes and the cure of the social evils that are so apparent, does, in that, the most important thing in his power toward their removal. This primary obligation devolves upon us individually, as citizens and as men. Whatever else we may be able to do, this must come first. For "if the blind lead the blind, they both shall fall into the ditch."

Social reform is not to be secured by noise and shouting; by complaints and denunciation; by the formation of parties, or the making of revolutions; but by the awakening of thought and the progress of ideas. Until there be correct thought, there cannot be right action; and where there is correct, right action *will* follow.

From CONCERNING WOMEN by Suzanne LaFollette (published in 1926)

In order to abolish privilege it is not necessary, in a political democracy, to wait for the economic breakdown which its exactions inevitably bring about.... First, however, the rank and file would have to learn what it is that this weapon [the ballot] should be used against - it would have to become aware of the nature of real freedom, and to wish real freedom to prevail. The power of privilege under republicanism depends not only on its control of wealth, but much more upon its control of thought and opinion.... It is evidently necessary, then, if the ballot is ever to be successfully employed against privilege, to know what privilege means and to clear away all confusion about it, so that the voters may see what is at fault in our economic system, and what remedial steps are necessary.

OUTLINE OF CLASSICAL ANALYSIS I

Session		Pages
1.	**Orientation & Introduction to the Course**	
	Volume One: Basic ideas about human behavior	
	Chapter I: POLITICS - Why the system doesn't work	**1 - 4**
2.	**Chapter II: MAKING ASSUMPTIONS - Good and Bad.**	
	Chapter III: VALUE - How we make choices	**5 - 7**
3.	**Chapter IV: VALUE IN USE - A great idea, but will will it sell?**	
	Chapter V. QUID PRO QUO - You scratch my back...	**8 -10**
4.	**TOWARD THE GOOD SOCIETY, I: "Awakening of thought" [Discussion of outside reading: *The Study of Political Economy* by Henry George]**	
5.	*Volume Two: Communication - speaking a common language*	
	Chapter I: DEFINITION - A fence around concepts	**11-14**
6.	**Chapter II: EXERTION, TIME, A PLACE TO STAND**	
	Chapter III: MAINTENANCE & COERCION - Avoidables	**15-17**
7.	**Chapter IV: UNCONSCIOUS COOPERATION**	
	Volume Three: The Basis of Civilization - people working and exchanging with people	
	Chapter I: SPECIALIZATION - The key to efficiency	**18-20**
8.	**Chapter I: SPECIALIZATION (second half)**	
	Chapter II: LAND SPECULATION - All bets are off!	
	Volume Four: The market that isn't a market at all - the collectibility of Land	
	Chapter I: WIDGETS - Fixing prices for the poor	**21-23**
9.	**Chapter II: COLLECTIBLES - better not to sell them**	
	Chapter III: SCARCITIES - Tiger maple & Tiger beer	**23-26**
10.	**TOWARD THE GOOD SOCIETY, II: "Right action" [Discussion of outside reading: *Justice the Object - Taxation the Means* by Henry George]**	
	Review & Summary of the Course	

Basic Program *Course 101 6/88*

Classical Analysis

The Classical Analysis will be useful to you in three ways. First, the content - drawn mostly from the 'Age of Reason'- will paint for you a picture of human behavior that will enable you to understand yourself and others. You will learn how things happen and, more importantly, *why* they happen.

On another level, the Program format will hone your thinking, reasoning and rhetorical skills. This is accomplished by using 'socratic questioning' from almost 25 centuries in the past.

The philosophy behind the format is drawn from the medieval Trivium. The teaching monks of the Middle Ages thought that before you learned anything, first you should learn how to learn.

At a third level is fun. Education is not easy when it is tedious and dull. To be most effective, learning should be upbeat, arresting and challenging. To this end, we use some discussion techniques you may not previously have encountered.

You'll be taking part in an inquiry into the nature of human behavior. We'll be tapping into several disciplines, including economics, psychology, sociology, and ecology. The inquiry will lead to some useful understanding of yourselves and others. Although the study will work through theoretical concepts, you'll find the conclusions are completely practical.

We'll begin with some basic definitions, check out a few rules of behavior, then open up an interesting world to our inspection. It won't happen quickly, but you'll find the difficult contemporary scene is a lot easier to understand than you thought.

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Founded in California in 1935

Sixth Edition
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Socratic Discussion

Format

The format is discussion and the principal tool of discussion is Socratic questioning.

The questions can be expository - simply a way to set the stage for further analysis; they can be querying - to search along lines of reasoning; or they can be tests - to find out what you have discovered,

The intention of class leaders is to move you expeditiously through the material. You are expected to resist the pressure, particularly when you aren't satisfied and want to dwell for a while in an interesting area.

Fundamentals

Expect to spend some early time simply cleaning up some basics. For example, we need a common language, or else we can't speak to each other. We also need to learn something about fundamental human behavior. Otherwise, we can't begin the analysis.

You'll find yourself discussing behavior from different points of view. Sometimes you'll be in the middle of economics, other times you'll be ecological, or psychological, or financial, or sociological. Human behavior is too well faceted to restrict it to to tunnel vision.

The important result is your understanding of the human condition. If you don't have greater understanding of people after the course, it has failed.

Procedures

The material is divided into a Preface which sets the stage, questions which open up the argument, and a Test which checks what you know. Each area of study is contained in Volume, which is divided into Chapters.

Sometimes the discussion will take place at separate tables, at other times the whole class will be involved as a group. A class leader will head the discussion, but soon you may find you are up front leading the group.

Those leading discussions should always read aloud.

The premises from which (political economy) makes its deductions are truths of which we are all conscious and upon which in everyday life we constantly base our reasoning and our actions. Its processes, which consist chiefly in analysis, have a like certainty, although, . . it can never predict exact results but only tendencies.

. . For the study of political economy you need no special knowledge, no extensive library, no costly laboratory. You do not even need textbooks nor teachers, if you will but think for yourselves. All that you need is care in reducing complex phenomena to their elements, . . and in applying the simple laws of human action . .

Take nobody's opinion for granted; 'try all things: hold fast that which is good'. In this way, the opinions of others will help you with their suggestions, their elucidations, and corrections; otherwise they will be to you but as the words of a parrot . . . . *Henry George*

Short Course 9/90

Classical Analysis

Volume One : Basic ideas about human behavior.

Student : _____
Date : _____
Location : _____
Convener : _____
Home # : _____
School # : _____

CHAPTER I : POLITICS - Why the system doesn't work

Cooperation, Law, and Privilege

Cooperation is the essence of civilized society. We can increase our wealth, raise our living standards and improve our environment if cooperation is unrestricted.

People freely exchanging their products, services, and information are visible evidence of the Good Society.

Cooperators adopt and accept rules of behavior. In due course, these rules are may be made into formal laws - complete with pnalties for non-compliance.

The following shows how to string together a set of related concepts. It also shows how political problems develop.

A. Preface : Two events that occur one after the other is called a **sequence.** If one is the result of the other it is called a **consequence.** When a consequence always occurs, it is called a **Natural Law.**

A sequence may be thought to be a consequence because it is dramatic. For example, you kick a witchdoctor and the volcano erupts! You fear it's a consequence, so take care not to kick him again!

Consequences are rarely exciting. You turn the faucet - and water flows. Yet consequences are what scientists watch for. We'll also be looking for them in our search for the Natural Laws of human behavior.

Discussion : ***Sequence***, or ***consequence***?

1. Bill tripped and it rained. _____
2. Bill tripped and sprained his ankle. _____
3. Bill tripped and his mother's head ached?

TEST #1 : 'Bill tripped and fell *DOWN*' is a description of a . . ?

B. Preface : A consequence that always repeats is said to be a **Natural Law.** When we record the fact that B always follows A, we are writing a Natural Law. Any Natural law may be regarded simply as a 'recognition of experience'.

Discussion :

1. Bill tripped and fell UP. Is this true? _____
2. How do you know it isn't true? _____
3. Must you know Bill to know he can't fall up? _____
4. Was Bill affected by a Natural Law? _____
5. Could Bill NOT be affected by Natural Law?

TEST #2 : Space flights require checking, rechecking, cross-checking and checking yet again. Nothing is left to chance, but every mission depends on something that is accepted without any check. What?

C. Preface : To ignore Natural Law can be a disaster. So, to avoid trouble, we invent Rules - which are homely guides to action.

Discussion : Newton's Laws of Motion indicate that (among other things) a moving body is reluctant to change its direction.

1. Do you know Newton's Laws? _____
2. Must you know them to survive in contemporary society? _____
3. Might 'rules' based on Natural Law help you to survive?

TEST #3 : You are speeding down the road. Based on the above description of a Newton Law, make up a rule to help you make a left-hand turn.

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D. Preface : We don't always obey Rules. Sometimes, when we drive, we don't pay enough attention to other traffic as we talk to friends. We may carelessly go through a stop sign. Or we may be late and increase speed as we weave between freeway lanes.

Disobeying Rules can be dangerous to other people. So, Rules may be made into Laws by legislative bodies. A Law is an 'formal rule' and can be recognized by its deterrent penalty.

The penalty is rarely as crucial as the 'zap' of a ignored Natural Law, but strangely enough, it often acts as a greater deterrent.

Discussion :

1. You're caught speeding. Do you complain about the system, or admit (at least to yourself) that you were wrong to speed?_____
2. Do most of us agree with sensible laws?

TEST #4 : For a law to be accepted generally, it must be seen to be, not only sensible, but fair. How would you know that a law is fair?

E. Preface : To be accepted a Law must seem wise and fair. It should be seen to be needed and should apply equally to everyone.

Some laws are not laws at all but **Privileges.** These are 'private laws' (privi-leges). A privilege benefits one person at the expense of another

Unlike a two-way trade, privilege benefit passes only one way. Within InterStudent we shall restrict the meaning of 'Privilege' to legislation which confers a benefit to one at the expense of another.

Discussion :

1. Do politicians say they make laws to benefit all - or to benefit a few? _____
2. Is someone who benefits from a 'privilege' likely to be grateful to the person who provides it?_____
3. Is he likely to support and contribute to a generous politician?_____
4. Is the politician likely to find his re-election depends on the gratitude and support of those he has privileged? _____
5. Are legislatures likely to pass 'laws' or 'privileges'? _____
6. Are politicians good or bad people? _____

TEST #5 : Politicians try to make privilege less obvious by burying it in the general body of legislation. When citizens (who don't know the difference between law and privilege) see legislation benefitting others at their expense, their attitude to democratic procedures is likely to change. Will they show more respect for the system - or less?

F. Preface : To complicate matters there are 'countervailing privileges'. These are given to dampen complaints of unfairness.

Discussion :

1. You rent an apartment. You are annoyed because homeowners get tax credits for for mortgage interest and property taxes. You get nothing. Are the homeowners' tax credits a privilege? _____
2. You make it clear to your representative that there are a lot of renters angry with the homeowners' privilege. Do you ask for a special renters' credit to make things fair?

TEST #6 : Renters are given a tax credit, and things are fair again. Or are they? Explain :

TEST #7 : There are many 'liberation movements' demanding privileges to offset unfair advantage to others. What should they really be asking for?

NOTE : A *Privilege* is the name for a 'private law' (privi - lege). It is intended to benefit some people at the expense of others. Modern legislation is, in large part, *privilege*. Unfortunately, reformers often adopt policies intended to 'spread the *privilege* around' - a losing proposition. Proper action would be to end all *privilege*. A good description of a just society might be a society without privilege.

We will use these descriptions to define the 'just society' as a society with laws - but without privileges. Conversely, a society with privileges we will call unjust.

CHAPTER II : MAKING ASSUMPTIONS - Good and Bad

Two Assumptions (3)

Argument : Sciences begin with assumptions. We are studying people, so we should make some assumptions about how they behave. Scientific assumptions are facts about your subject that you have every reason to believe are true. Our study uses two basic assumptions. These are self-evident truths, or axiomatic statements.

They are :

People's desires are unlimited

"People seek to satisfy their desires with the least exertion"

If you agree, go to 'Testing'. If you would prefer more discussion, go to 'Discussion'.

Discussion :

1. Are these assumptions judgements, or observations?_____
2. Do these assumptions describe people? _____
3. Do they say that people are greedy and lazy? __
4. Can you see exceptions to the assumptions? ___ (If you do,add them to **Testing** below .)

Testing!

Circle those who are described by both assumptions (including your exceptions noted above).

lady wrestler **holy man** **weightlifter** **marathon runner** **artist** **craftsman**

Any exceptions you wish to add?

First Things First (3)

Argument : Your desires may be unlimited, but they are not equally important. You put them in order of preference. Perhaps, heading the list will be the most important desires that you can reasonably satisfy. If you have several desires of equivalent importance, you might well chose first the one requiring least exertion.

Does this seem sensible?_____

Testing!

*1. You don't always have a choice. What most basic desire must you satisfy first?*_____

2. Why must it be first? _____

NOTE : The numbers in parentheses in the headings just above refer to the page numbers in the full course. If you would like further discussion of the contention, refer to the appropriate page number in the full course.

The Human Animal (4)

Argument : We have an advantage over other animals. We may deliberately over-ride our natural 'biologic response' to a given stimus. Threatened by forest fire, animals will instintively run from it.

We may run - or choose to move towards the fire with the intention of putting it out. This oportunity to decide between alternative actions is provided by our ability to reason - to see the consequences of our actions. Our first choice must be to live or to die. Then, to enhance survival we must be sure to choose advantage over disadvantage

If you agree go to "Testing!". If you would prefer more discussion continue the "Discussion".

Discussion :

1. Can we 'over-ride' instinctive impulses? _____
2. Does this ability lead to deliberate action? ____
3. Do we deliberately try to satisfy desires? _____
4. What must be our primary desire? _____
5. How do you know that this is our primary desire? _____
6. Prompted by reason, will we take action deliberately to survive? _____

Testing!

We know we act deliberately to accomplish our primary desire, aided by our reason.'

1. We've been around a long time. There is clear evidence of our ability (or lack) to reason. ***What is this 'clear evidence?*** _____

2.How well do we reason? _____

Age and Immortality (5)

Argument : Observation and common sense tell us our first desire is survival. Sufvival success is measured by length of life, which has led to a quest for 'immortality' (and by reverence for age - expressed by our feelings about elephants, whales, sequoias and old houses).

We are not immortal, but there are ways we can (in a sense) pass ourselves into the future and these affect our behavior. These mehods can usefully be gathered into four classifications: a) **family**; b) **history**; c) **art**; d) **politics.**

If you agree go to "Testing!". If you would prefer more discussion continue the "Discussion".

Discussion :

1. How can you use "the family" to pass your characteristics into the future? _____
2. Can discovering America 'immortalize' you? _____
3. Can your work of art (in a sense) make you immortal? _____
4. You are a politician. A new bridge is built in your district. What do you do? _____

Testing!

1 : Your children 'pass you into the future' in two ways. What are hey? _____

a) _____

b) _____

CHAPTER III : VALUE - How we make choices

Diamonds are for ever (23)

Argument : When we made choices, we were 'valuing'. Value is the same as worth. Something which is worth more to you has more value to you. You prefer to have something of higher value, rather than something of lower value. However, getting values costs you exertion and time - which you dislike. So, you seek more values for less cost (which is another way to state the 'least exertion' principle).

Discussion :

Consider these two cases :

a) you find a diamond on your way to work and no-one else has any claim to it. Its price is $50,000; and . . .

b) you prospect for diamonds and after working for 20 years you make a strike - a diamond worth $50,000.

1. Whichdiamond has more market value? _____
2. Which diamond has more value to you? _____

Testing!

1. *Is personal or market value easier to measure?* _____
2. *Trade always balances! Gordon offers a rib of beef. Alan offers a chair and they trade! What's the value of the beef?* _____ *What's the value of the chair?* _____
3. *Did the traders believe the values were equal?*

It means more to me (24)

Argument : Another way to think of "value" is that it commands the labor of others. Assume a man's labor to be worth $10,000 a year - and that you own a diamond worth $50,000.

Discussion :

1. Your diamond commands a man's exertion for how many years? _____
2. Was the diamond you found worth having? _____
3. Was the diamond you 'prospected' worth your effort?

Testing!

1. *The only result of 20 years prospecting is a diamond worth S50,000. On your way home from celebrating you find an identical diamond to which no-one has any claim. You need money to put your child thmugh college. Which diamond would you reasonably sell to get the money you need?*

Personal and Market (24)

Argument : You can't know how much anyone (including yourself) personally values, but you can learn from how a person exhibits a preference.

Discussion :

1. Is production a process for adding values? ___
2. Is "trade' part of the production process? _____
3. After a trade, what has happened to the total 'values' of both traders? _____
4. Would there be a trade if both traders did not benefit? _____

Testing!

1. *Check any correct statements.*

You will keep something you own when :

a) personal value is greater than market _____

b) market value is greater than personal _____

You will trade something you own when :

a) personal value is greater than market _____

b) market value is greater than personal?

NOTES : Adam Smith mused over an apparent paradox. Water, even though it is so useful that life without it would be impossible, has a low price. Yet diamonds, which are not at all necessary, command a high price. He pointed out that the 'use-value' of the diamond is low, yet the 'market-value' is high, whereas the use-value of the water is high, yet its market-value is low. How could that be? Well, Smith had simply confused 'personal value' (usefulness to you) with 'market- value' (what it will exchange for).

CHAPTER IV : VALUE IN USE - A great idea, but will it sell?

Do you want it or not? (26)

Argument : As Smith noted, 'Exchange' and ' Use' values are different. A useful thing may have little market value, whereas a relatively useless thing is priced high. It is again the conflict between *personal value*, and *market* (or exchange) value.

Discussion :

1. I am eager to give you a 30 carat gem quality diamond, but you don't believe in ostentation. Do you accept the stone? _____
2. Now, I want to give you a 40 carat gem quality diamond, but it doesn't match your clothing. Will you refuse the diamond? _____
3. I want to give you a 50 carat gem quality diamond but you are allergic to precious stones. Will you reject the gift? _____
4. Do these diamonds have much 'use.value' to you? _____
5. Why take the diamonds?_____

Testing!

1. ***You have two dogs and describe how you value them. To what kind of value are you referring when you say :***

   a) "My dog Kilroy is a purebred stud with papers and is in constant demand. Kilroy is valuable." _____

   b) " My dog White is valuable. She pulled my baby daughter Melissa to safety from a flooded river." _____
2. ***Think! Does use-value (usefulness) describe the capacity of a product to be useful, or its worth to you?***

Cheap or inexpensive? (26)

Argument : As civilization advances, developing skills and mounting knowledge produce goods with ever greater efficiency.

Discussion :

1. With increasing efficiency, what happens to market values of goods? _____
2. . . . and to personal values of goods? _____
3. Does this mean you must give up less exertion to obtain products?
4. Do you prefer goods to be cheaper (require less exertion)? _____
5. Does this mean that you attach greater value to things which cost less exertion?_____

Testing!

1. ***Points of view change. As a consumer, your more important value is personal, or market?*** _____
2. ***As a producer, your more important value is personal, or market?***

Breadwinning (26)

Argument : We often accept things because they are repeeated again and again in the media. After a while, things which are obviously not true become real. We don't like exertion - we want what we get from exertion. Yet, we have jumped past the real desire and think we want work!

Discussion

1. Do we like being unemployed? _____
2. Why do we want work? _____
3. Many modern governments (including our own) produce 'make-work' schemes. They deliberately do things less efficiently to provide jobs. Does this make sense? _____
4. You have no job. Do you approve of 'make-work' policies? _____

Testing!

1. ***Ideals may be impossible, but we try to achieve them. Which 'ideal' do we prefer?***

   full employment ( )

   full unemployment ( )

NOTES : Karl Marx measured the value of a product by the exertion needed to produce it (it's called the labor theory of value). More exertion meant greater value. The classical analysts thought the opposite - that value is related directly to exertion saved. Something is valuable according to the exertion it allows you to avoid. (Remember the diamond gifts you were glad to get!)

Liberty and Justice for all (21)

Argument : Humans gather in communities which have rules. Earlier, we found 'privilege' was an unfair law, taking from one to give to another. Opposite to privilege is 'justice' or the same rules for everyone. Justice and Liberty are often mentioned together, yet there are distinctions.

Liberty (or freedom) is a concept that applies to individual action. Justice is a concept that applies to the community. You proudly declare that your community enjoys 'freedom' and 'justice'.

Discussion :

1. Do you mean that your *community* is free, or that *you* are free? _____
2. Are you asserting that *you* are just, or the *rules* of your community are just? _____

Testing!

1. ***Your Group has just discovered a great new religion which guarantees heaven as a reward for sharing your wealth equally. Joining is voluntary and you all decide to join. However although you produce ten times as much as your class leader, you are required to accept equal shares. Is this just, or unjust, treatment?***

Argument : A just community does not happen by accident. It requires a lot of work to be sure everyone is satisfied. However, some people are not good at protecting their interests. You live in a competely free community which is seeking by law to produce the most 'just' situation'.

Discussion :

1. Will some people take advantage of others? _____
2. When the victims realize this, are they likely to continue cooperating? _____
3. To keep their cooperation, might it be necessary to make the rules more just? _____
4. If victims are not free, are the rules likely to become *more* just, or *less* just? _____

Testing!

1. ***It is obvious that commmunity activities are based on contract. These may be simply understandings, or be explicit. Yet, every contract, implicit or explicit, is enforced in the same place. Where?***

Back before the crowds (21)

Argument : Justice is not likely to be approached except in a free society. And liberty is unlikely if the society is not just. These absolute ideals will probably never be attained. Nevertheless, when we know 'what they look like' we can judge whether we are approaching them, or moving away. Let's assume you survive alone on a desert island.

Discussion :

1. May you do anything you wish? _____
2. May you kick your garbage into the lake? ___
3. May you set fire to the forest for fun? _____
4. May you endanger a species for sport? _____
5. Do you need anyone's sanction before you act? _____
6. In practice, what would limit your freedom to act? _____
7. People have arrived and settled. Now, you live with a community of freely cooperating people on the island. Is cooperation worth enough for you to take trouble to preserve and strengthen it? _____
8. May you still theoretically take any action that doesn't hazard your survival? ____
9. In practice, what will limit your freedom of action? _____
10. If the required 'limits' are too confining, might you simply decide not to join the cooperating group? _____
11. You are free to make choices. Will you cooperate only if it is worth your while? _____
12. Cooperation is worthwhile. Yet, would you participate if community made rules were unfair to you? _____
13. If you were not free to choose, would you expect comunity rules soon to become weighted against your best interests? _____

Testing!

1. ***Is a completely free community likely to be unjust?***

NOTES : Cooperation is the act of free and non-coercive association. When cooperation is wide spread and cuts across racial, cultural and national boundaries, we shall call it civilization. Human settlements may, at any time, be advancing toward, or retreating from, the condition of 'civilization'.

CHAPTER V : QUID PRO QUO - You scratch my back . . .

Do unto others . . . (6)

Argument We call your free relationship with other people 'cooperation'. It is one of our stronger and more valuable imperatives. The first rule of cooperation is 'reciprocity'. In other words, cooperation must be a two way street..

Discussion

1. Would you expect something back from someone you help - even just a thankyou?____
2. Could being overly generous with your resources weaken your own condition? _____
3. You help Pete with his crops every year, then your house catches fire. You ask Pete to help you put it out, but he refuses because he's busy. Do you help him with his crops next year? ___
4. It may not be a written contract, but would you expect your community to rally around when someone is in need?_____

Testing!

1. **Bob and Tom are neighbors. Bob always helps Tom with his ground-clearing, sowing, harvesting, and so on. Tom never helps Bob. All other things being equal, who is more likely to survive a hard winter?**

NOTES : We may at any time help someone in trouble with no immediately obvious return. We do so because we expect neighbors to help each other. However, should we provide increasing help with little or no return, we are weakened and may not survive ourselves.

This has relevance to today. When the cost of welfare becomes too heavy a burden, the community may be threatened. This 'over-enthusiasm' has occured often in socialist countries where need has outstripped the capacity to give.

A community can afford only limited altruism before it begins to falter. More sensible would be not to offer more help, but to reduce the need for it!

Understandings (6)

Argument : We are not often faced with a 'survive or die' situation. More likely is the choice of advantage or disadvantage. Unlike other animals, we choose our directions but, like them, our first objective must be to choose the most advantageous direction. Let's assume you have a large and dependent family.

Discussion :

1. Why might you risk your life for your child, if your first desire is to survive?_____
2. What might make you risk your life for the children of a neighbor?_____
3. Is such a neighborly 'understanding' likely to be reasonable and easy? _____
4. You are asked to risk your life to protect children in another city - children you've never met and don't know. Should you? _____
5. You are your family's sole provider. Yet you are asked to be a patriot and go overseas to protect other families from their enemies. You don't know them, nor their enemies - but your life will be in .danger. Why should you go? _____

Testing!

1. **People may fight, but much historical and contemporary evidence suggests they won't support a continuing war (except when threat to life is involved). Use one word to name the American example of this evidence.**

NOTE : You should now know more about :-

- the difference between Law and Privilege
- the Basic Laws of Human Behavior;
- our need to avoid exertion (and time);
- the attitudes to age we adopt
- why things with high use value have little market value - and visa versa
- the two values - personal and market;
- how value is related to exertion and time;
- how liberty is personal and justice is societal;
- why liberty and justice need each other;
- how we seek to achieve cooperation - but require reciprocity for it to work;
- the indications that humanity may be peaceful rather than warlike.

Volume Two : Communication - speaking a common language

CHAPTER I : DEFINITION - A fence around concepts

Talking to each other (7)

Argument : We need a common language if we are to communicate. Yet, in normal discourse, we make little effort to establish a common meaning. Next time you are sure that the person you have been debating is an idiot, take a moment to ponder whether you have both been talking about the same things - even if you both used the same words!

A concept is an idea, a notion - a mental impression. When you hear the word 'whale', a concept is triggered in your mind.

If the word 'chair' crops up in conversation, each person will relate the word to a concept of a chair in his mind. Each will probably have a different chair in mind, but all will understand what is meant by the term.

Discussion :

1. Somebody brings up the subject of whales. Does this stimulate a picture in each person's mind? _____
2. Is the picture of a particular whale or of whales 'in general'? _____
3. Can you put your hands on some thing called 'whales in general? _____
4. Where can you find 'whales in general'? _____

Testing!

1. ***Can a concept exist outside our minds?***

Birds, Dogs and Bill (7)

Argument : Your concept may not be very clear, so your first job is to define it, which means 'putting a fence around it'. Inside the fence is ONLY the concept, while outside is everything else. Defining isn't easy. We must be careful.

Discussion :

1. My bird is small, has pretty feathers, and flies through the air. I give it to my cat as a plaything. Should I be prosecuted? _____
2. Where might you fly a sock?

Testing!

1. ***What has four limbs, a tail, a furry coat and barks?*** _____
2. ***Bill is honest and sensible, yet he tells you he put four suitcases and his golf clubs in his boot. You are sure he isn't crazy. What else do you know about Bill?***

The name is the game (7)

Argument : Once a concept has been defined, it must be named. Any name will do, but if we all use the same name for a defined concept, we can speak to each other. This is language. Most progress is made when we give a name to a ~~class~~ of things which fall within a concept.

Discussion:

1. What word includes VW and Honda? _____
2. What word includes man or woman? _____
3. What do cumulus clouds, Mt. Baldy, gravity, bald eagles, swordfish, redwoods, the planet Mars, wild horses, lightning, and sunshine, have in common? _____
4. Did people have anything to do with producing the examples in question #3? _____
5. Are they part of a class of things untouched by humans that we think of as the 'bounties of nature', or 'natural resources'? _____

Testing!

1. ***Might members of a class seem completely dissimilar from each other, yet possess a common characteristic that binds them together?***

NOTE: We are classifying, which means discriminating between things. Discriminationis a good word - often confused with prejudice. Bill, the Austrian, is a liar and a thief. You will have nothing to do with him (discrimination). Because of Bill, you will have nothing to do with Austrians (unreasonable discrimination - or prejudice). Prejudice is foolish and can be dangerous. Discimination is essential and good.

Bite sized chunks (8)

Argument : The universe - even our part of it - is a trifle large for us to grasp. If we chop it into classifications, we can reduce it to manageable proportions. A most important tool for examining people is *imagination*. Imagination asks 'What if?'.

The Classical Analysts used their imagination to remove humanity and its products from the universe. What was left they called ***Natural Resources***.

Put simply, they had recognized a *concept* - the bounties provided by God, or by nature; *defined* the concept (everything not human): and had given their defined concept a *name* (Natural Resources).

Discussion :

1. Could this defined concept be named Rumpelstiltskin?_____
2. Is the name the most important, or least important, part of the process? _____
3. A concept is clearly known to you. Give two reasons why is necessary to define and name it? _____

_____

Testing!

1. ***Circle the most difficult :***

conceiving a concept	defining a concept	naming a concept

NOTE: Naming is the easiest (although one must be careful). Conceiving often strikes almost intuitively. You just *know* that something is so. But, defining what you *know* can be extraordinarily difficult, because everything must be clearly inside or outside the 'fence'. Scientists struggle hard to produce an effective defined concept,, yet often find themeselves working with a gray area rather than a fence.

People and Products

Argument : The Classical Analysts then used their imagination to put people back on the earth. To stay alive, they were forced to work - to use mental and physical exertion. To help them were mental ideas, such as truth, beauty, love - and physical skills, such as strength, agility and quickness. This complete package of mental and physical 'human exertion' is the defined concept we call 'People'.

To survive, ***People*** must use ***Natural Resources*** to produce food, clothing and shelter. This result of their exertion is not human, nor is it natural resources - things untouched by people. This third defined concept we shall call ***Products***. So, we have three classifications, People, Natural Resources, and Products.

Discussion

1. What class are snakes in the jungle?_____
2. What class is a woman in the jungle? _____
3. What class is a 'talent'? _____
4. What is a mountain spring? _____
6. What is water in the dishwasher? _____
7. Is your garden flowerbed natural resources?_____

Testing!

1. ***Name three things that don't fall into one or the other of the three classes - People, Natural Resources, and Products?***

_____

2. ***A substance may find itself in different classes. Give an example of water as : People Natural Resources Product***

Consumer reports

Argument : Before we continue, we should do some housekeeping. We can rid ourselves of less important aspects of the study by fencing them out. For example, we survive by producing, yet we don't like exerting ourselves. It follows that we won't exert unless we know we'll get something back.

Discussion

1. When a person produces, may we assume there is a consumer (himself, or others)? ____
2. Without a prospective consumer, is there likely to be any production?_____

Testing!

1. ***In our study of Man's purposeful activities, may we put the consumer to one side, as a 'given' while we concentrate on the producer?***

Crushed grass & dishwater (10)

Argument : We can direct our attention to producers, but some production isn't important. tA woman (People) walks across a meadow (Natural Resources) to produce crushed grass (Product). We can exclude these less significant things by sharpening definitions, and narrowing concepts.

First, we'll exclude any Product that has no market value. This will rid us of unimportant things like crushed grass, dishwater and air pollution! This sharpened definition we will call WEALTH.

Then, we'll only include People who actually produce Wealth. If exertion fails to produce measurable Wealth (in the marketplace), we'll exclude it.

Discussion

1. I play volleyball. Have I exerted myself? ____
2. Have I produced Wealth? _____
3. Am I part of Classical Analysis?_____

Testing!

1. ***Bill labors on his perpetual motion machine for 5 years. It now fills up the factory but it doesn't work and no-one will buy it.***

   (a) Is his machine Wealth? _____

   (b) Is he a producer?

NOTE: We have defined 3 classes into which everything falls. But, these are general and abstract concepts and we need greater precision. People come in many shapes, colors and sizes, and at least two sexes. Natural Resources are unbelievably diverse. Products range widely from apple pies to pollution to paintings. These concepts are clear - but are not too practical for everyday needs. What we can do is search for a precise characteristic that is common to everything within the class — then use that.

External Manifestations (9)

Argument : To live we must produce material things. To produce material things, we must apply exertion to Natural Resources. The quality of this exertion has a direct relationship to our own internal abilities.

Discussion

1. Is exertion mental or physical? _____
2. Does everyone exert in some way? _____
4. Will the way we exert reflect the package of abilities (and disabilities) which are us? ____

Testing!

1. ***Would exertion - the external manifestation of each of us- be a good common characteristic of people?***

Natural resources (9)

Argument : We can treat Natural Resources philosophically as a conceptual term. However, to make a natural resource meaningful, we must fix its position. The more closely we can pin it to a specific place, the more useful it will be to us. So we make the abstract concept specific by using an 'address' - by locating it. Although natural resources are incredibly varied, the characteristic common to them all is their ***location***. We shall call a *located* natural resource LAND.

Discussion :

1. Are mountains Natural Resources, or are they Land?_____
2. Is Mt Everest the location of some very high land? _____
3. Is Mt Everest 'Natural Resources'? _____
4. Is 'outer space' LAND? _____
5. What's the name for an exact position in space? _____
6. Is the passage of time LAND? _____
7. What is 4pm Wednesday? _____
8. What is Channel 2? _____
9. What is a combination of latitude and longitude?

Testing!

1. *Classical Analysts talked of the "original and indestructible powers of the soil". After 200 years of technological change and the advent of nuclear weaponry, what original characteristic of the soil is still totally indestructible?*

NOTE : The classical name given to a natural resource 'with an address' is LAND. This offers advantage and disadvantage. The disadvantage is that (by definition) LAND refers to all located natural resources - including water, air and sunshine.

Advantage is that 'land' is a normal word in everyday conversation. Although you may use it more precisely than others, over much of a dialogue your meanings will be same - so you can communicate.

Abstract thinking (10)

Argument : The more precise an 'address' is, the more useful will be the location. Answer the following questions with either - 'conceptual', or 'more precise', or 'precise'!

Discussion

1. Stanley Rubenstein? _____
2. Television channels? _____
3. Latitude 54° N, longitude 32° W? _____
4. Bald eagles? _____
5. Your kitchen table? _____
6. People? _____
7. Fifth Avenue and 42nd Street? _____
9. Oil fields? _____

Testing!

1. ***This will test your ability to think abstractly - to conceptualize. What class (people or Labor, natural resources or Land, products or Wealth) is :***

   a) the electromagnetic spectrum? _____

   b) a point in duration (time)? _____

   c) a position in space?
2. ***The following are like the examples in Test #1 - but not quite. What has been added to make each different?***

   a) Channel 2 _____

   b) Wednesday at 4pm? _____

   c) 23 Acacia Drive?

Rent and Wages (10)

Argument : Wealth is produced by Land and Labor. These two concepts (which are called Factors of Production) each receive part of the final product (Wealth) as a return, or reward, for helping to produce it.

The reward that goes to Land is called RENT, the reward that goes to Labor is called WAGES. Everyday speech uses many other words for these concepts (salary, commission, etc.) but from now on anything that is payment to Labor is Wages, anything paid for land is Rent

Discussion

1. What reward is:

   a) a sales commission? _____

   b) a salary? _____

   c) a field-worker's two-thirds of the crop? _____

   d) a landholder's one-third of the crop? _____
2. You hire a space to park your car. What's the $20 you pay each month? _____
3. On vacation you rent a guide. What do you pay him? _____

Testing!

1. ***Name all the rewards that the President of General Motors gets for his work.***

NOTE : We have isolated two Factors of Production, Land and Labor. There is a third. The element of 'time'. That time is involved in production is obvious, but sometimes forgotten.

For example, we are given two choices. We may moderately exert over 2 hours - or we may spread the same amount of exertion over 4 hours - for the same return. It is probable that we would prefer the least time alternative. 'Time' is valuable to us. We no more like to 'expend' it than we like to expend exertion.

Time is a cost just like exertion. When we invest our exertion in production, we expect immediate satisfaction of our desires. If we are asked to wait, we want compensation. This compensation for 'delaying the satisfaction of our desires' we call Interest.

CHAPTER II: EXERTION, TIME, A PLACE TO STAND

Now, Now, Now! (11)

Argument : Production not only requires exertion and a location, but time. Some things take a long time to produce - such as ships. Other products are not consumed but are used to help production - such as hammers. Grain is placed in storage for months before a sale. In each case, the producer has invested much exertion but gets no immediate reward.

The producer is prepared to delay payment because he expects a greater reward. A new concept **time** is added to **exertion** and **location.** Products still in production are called Capital.The product left in production is called **CAPITAL** and the reward for delaying consumption is called **INTEREST.**

Discussion :

1. You lend Gordon your car to deliver pizzas, so you don't have the use of it. Would you expect to be compensated for wear and tear *and* be paid for not having the use of the car? _____

Testing!

1. Everyone has material desires that need to be satisfied. It might be a car, a video recorder, a new dress, a set of tools, a new compact disk, or . . . . .?

   a) What material thing do you want next? _____

   b) You pay for your desire. Do you want it NOW, in 12 months, or in 5 years? _____

   c) We dislike exertion, do we also dislike delaying satisfaction? _____

   d) If you are asked to delay satisfaction, will you expect compensation?

More or less (12)

Argument : Production ends when products reach the consumer. Then, they satisfy desires and are called **Wealth.** Products travelling through the production process and *NOT* in the hands of the consumer are given the name **CAPITAL.**

These products could be partly finished goods, or tools, or buildings, or stored goods (waiting for a better price).

Whatever form of Capital they are, they all must produce enough to repay the producer for delaying satisfaction. We call this compensation INTEREST. If **Interest** cannot be paid **Capital** will not be lent.

Like **Wealth**, the amount of **Capital** is measured not by its physical properties, but by its exchange value at the marketplace.

Discussion :

1. Grain is stored until the next good selling season. At that time, weight and volume of grain are unchanged. Is there more, the same, or less Capital than when it was stored? _____
2. A famous sculptor uses his chisels on a block of marble to produce a work of art. As he finishes, more that 70% of the marble has been chipped away. Does this mean there is less **Capital** than when he started? _____

Testing!

1. ***Products are either in production, or in the hands of the consumer. In each case their value can be expected to change :***

   a) in the hands of the producer, a product value may be expected to? _____

   b) in the hands of the consumer a product value may be expected to?

Bumper to bumper (12)

Argument : You decide not to use your spade but to lend it. You will want compensation for loss of use of the spade, for 'delaying satisfaction'. You will want **Interest.** The spade must earn enough to produce this **Interest,** but it has more to do.

Discussion :

1. Will Capital wear out with use? _____
2. Your spade is continually blunted, sharpened, and used again. Would you expect less spade as time went by? _____
3. Heavy use reduces the value of the shovel by $10, BUT it earned an extra $10 which was set aside for 'capital replacement'. In effect, is the shovel replacing itself? _____
4. The spade will eventually wear away. Yet, the borrower is required to return the original spade to the lender. Will the lender be satisfied with a value equal to his spade? _____
5. Should a prudent producer set aside enough to maintain and replace Capital?

Testing!

1. *Capital must satisfy three demands. To satisfy the lender, it must earn enough to pay Interest and earn enough to replace wear and tear. How does Capital satisfy the borrower?* _____
2. *Times are hard at your factory and income falls. Which is your most seductive course: to postpone interest payments to the bank, to reduce wages to Labor, or simply to put off replacing your depreciating Capital?* _____
3. *Times are hard and you are the Mayor. Which is your most seductive course: to economize, to reduce wages and lay off Labor, or simply to put off replacing the city's depreciating Capital?*

NOTE : Commercial 'interest' is not what it seems. The '24% interest' charged by a finance company includes (for example) Wages to their staff, Rent for their Main Street location, Insurance against risk, AND real Interest for the Capital they are lending. As basic Interest historically hovers around 3%, the other 21% covers all other costs.

A Capital argument (12)

Argument : We have mentioned that conveniently we can include the involved person with the production factor.

For example, as 'exertion' and the 'exerter' are inseparable, the term **LABOR** can - in context - be used for either the act or the person. Similarly, **CAPITAL** (or time) will have a 'capitalist', and **LAND** (or location) will have a 'land-holder'.

Discussion :

1. 'Higher Rents go to better Land'.Do we mean 'Land' or the landholder? _____
2. We say that 'Wages are labor's reward'.. Do we refer to the laborer, or to his exertion? ___
3. Capital rushes to invest in a worthy project. Who does the rushing. Capital, or the owner of the Capital?

Testing!

1. *The first meaning of 'employ' is 'to make use of'. Does Capital employ Labor, or does Labor employ Capital?* _____
2. *From 8 am to 5 pm a salesman uses his car for his work. After work, he uses the car to take his family to the drive-in movie. Is the car Capital, or Wealth?*

NOTE : Labor (exertion), Land (location), and Capital (time) produce Wealth. From this Wealth, Labor gets Wages, Land gets Rent, and Capital gets Interest. All the Wealth goes to these three factors. When they have been paid off, there is nothing left.

Birds, bees and flowers (13)

Argument : Every aspect of our lives rests on our ability to produce. To make progress we must first be materialistic. Later, we can allow our imagination to soar. But, before we get to the stars, we must get out of the mud.

Discussion :

1. Do we have only material desires? _____
2. Is philosophy or food more important? _____
3. Is formal education a necessity? _____
4. Which has comes first - standing redwoods, or standing homes? _____
5.. Which has priority - freedom or food? _____

Testing!

1. ***True (T) or False (F)?***
   a) A redwood is just a tree _____
   b) A mountain possesses greatness: _____
   c) A flower has intrinsic beauty? _____
2. ***The economy of country A is based on heavy production of material goods. The economy of country B is heavily service oriented. Which has the more advanced economy — and why?*** _____

CHAPTER III: MAINTENANCE & COERCION - Avoidables

Chores (13)

Argument : Some of the things we do, such as shaving, or having a hair-do, are not vital, but are necessary to everyday living. Other tasks are necessary to survival and must be done to stay alive, such as getting food, clothing and shelter. The tasks that must be done regularly before anything else are called **Maintenance**. Progress is impossible if Maintenance takes too much exertion and time.

Discussion :

1. An Asian peasant spends every waking hour producing his food. Can he make progress? _____
2. What is the name for his activities? _____
3. If Maintenance exertion is reduced, is there opportunity for progress? _____
4. Is it desirable to reduce the time and exertion spent on Maintenance? _____

Testing!

1. ***You are an Asian peasant. Is your food 'cheap' or 'expensive'?***
2. ***Which is correct - (a) or (b)?*** _____

A community is more 'advanced' when :
(a) Labor is cheap – products are expensive.
(b) Labor is expensive and products are cheap.

War and Peace (14)

Argument : Failure to reduce exertion spent in Maintenance makes progress difficult or impossible. Yet, even if Maintenance is reduced, the direction of progress is still to be chosen.

You live at the dawn of civilization. Your tribe lives in a cave and (by reducing Maintenance) has made progress. Your spears, bows and arrows are the best made. Next to you is a farming tribe who produce good crops. You invade their home and force them to cooperate with you. They are now enslaved.

Discussion :

1. Are you better off than before? _____
2. You must guard your slaves. Is this progress, or maintenance? _____
3. Hunting spears are now used to guard slaves. Is your production up or down? _____
4. Do your slaves enjoy being enslaved? _____
5. Will their production be up or down?

Testing!

1. ***You never have time to hunt; you're on double shift guarding the slaves; their production is down (and sabotage is up!). Do you think perhaps that slavery may not be such a good idea?*** _____
2. ***Do your tribes have a greater or lesser chance of surviving next winter?***

Working together (14)

Argument : The farming tribe cooperated with your tribe because you forced them. The name for 'involuntary cooperation' is **Coercion**. Cooperation need not be involuntary. You are still back at the dawn of civilization. You go hunting alone - creeping through the forest. But, you are not really alone, other animals are hunting you!

Discussion :

1. Who watches for the saber-toothed tiger? ____
2. Are you likely to get much sleep? _____
3. With little sleep, will your kills be fewer? ____
4. Is hunting likely to be more dangerous when you're tired? _____
5. NOW you hunt with a companion Do you share the watching? _____
6. Do you get more sleep? _____
7. Is the daytime hunt likely to be safer? _____
8. Is your production (kills) likely to increase? __
9. Does this cooperation make sense? _____
10. You hunt with 10 companions. Does sharing tasks reduce maintenance? _____

Testing!

1. ***Would you cooperate voluntarily if you were not advantaged by it?***

NOTE: We'll use *Cooperation* for voluntary cooperation and *Coercion for* involuntary cooperation.

Coercion, or even the attempt to coerce, creates 'conflict' which acts like friction for it consumes mental and physical energy and hinders progress.

Conflict developed when your tribe coerced its neighbors. During the fighting, production ended and some existing production was destroyed. During the enslavement, the 'conflict situation' reduces production and probably (through sabotage) destroys considerably more. Coercion is anti-progress.

CHAPTER IV: UNCONSCIOUS COOPERATION

Know the territory (15)

Argument : There are two kinds of voluntary cooperation - conscious and unconscious. Conscious cooperation means that you make a direct contract with someone, whereas unconscious cooperation involves people you may never meet!

Discussion :

1. Is cooperation an advantage? _____
2. Will you cooperate if you are not advantaged? _____
3. Do people look for chances to cooperate? ____
4. Do cooperators have to like each other? _____
5. Does a trader (exchanger, cooperator) act for the good of all, or for himself _____
6. Who is more believable: a person who tells you that :
   (a) he's acting for the good of all; or
   (b) he's acting only in his own interest? _____

Testing!

1 : ***Choose a 'best' basis for trusting a person who is asking for your help :***
a) evaluation of the person asking for trust
b) evaluation of the need for help
b) experience of past trustworthiness

Choose a), b), or c)

Cabbages and Customers

Argument : Cooperation which is unconscious takes place at the market. No prior contracts are made. Instead, people act in the expectation that someone will want to cooperate. Let's say you grow cabbages and want to sell them.

Discussion :

1. Where do you go? _____
2. You display your cabbages and people buy. Is this cooperation? _____
3. Do you need to know your customers? _____
4. Did you have a contract with them? _____
5. Was your cabbage growing an example of unconscious cooperation? _____

Testing!

1. ***An auto manufacturer knows the public needs cars, so he makes cars that people want. Is this conscious, or unconscious cooperation?***

Love, marriage and contract

Argument : In a free community, cooperation may be conscious or unconscious. 'Conscious' is the simpler kind of cooperationand it usually means that some kind of agreement or formal contract has been negotiated– such as at the church office.

Discussion :

1. Is marriage a contract? _____
2. Is marriage 'conscious' cooperation? _____
3. You start a business with a friend. Do youfirst decide 'who does what' and 'who gets what'? _____
4. Do you check the pay of your new job -before you take it? _____
5. Are these examples of conscious or cooperation? _____

Testing!

1. ***You live in a completely free and cooperating community. Who would you allow to order you around?***

NOTE: LAND, LABOR, and CAPITAL are used specifically to mean location, exertion, and time. They also may be used as a matter of convenience in place of the abstract classes classes (natural resources, people, and products in production).

Further, so long as meaning is not lost, they may stand for human controllers of the Factors.

So, the unwieldy (and horrible) 'holders of natural resources, along with appliers of exertion and owners of products, combine to produce consumer goods' becomes the simpler 'Land, Labor and Capital produce Wealth'.

Wealth - the end product of production - contains Rent, Wages, and Interest, which are returned to the Factors of Production - Land, Labor, and Capital - as rewards for their contribution to production.

Cooperation may be voluntary (cooperation), or involuntary (coercion).

Voluntary is better!

In a free society, much cooperation is unconscious. In the marketplace, you have no idea with whom you will be cooperating - until they bbuy your cabbages

The growth of cooperation parallels the growth of civilization. In fact, we'll be using cooperation as a synonym for civilization.

Volume Three : The Basis of Civilization - people working and exchanging with people

CHAPTER I : SPECIALIZATION - The key to efficiency

Time to cooperate (17)

Argument : We think of cooperation as trade between people. Yet, a significant factor in the growth of 'civilization' is cooperation across time.

Discussion :

1. Are books examples of cooperation across time?? _____
2. Are libraries examples of cooperation? _____
3. Do teachers aid cooperation across time? ____

Testing!

1. ***Becareful about this one! Is the following statement true (T) or false (F)? - "We can be glad that past generations have passed on to us their skills and knowledge."***

War or Peace? (17)

Argument : Along with the exchange of knowledge is the trading of goods. The trader trades for one reason; he is eager to increase his Wealth. This means cooperation with an ever expanding circle of people. All too often the trader arrives ahead of the army, the diplomat and even the explorer.

Discussion :

1. Cooperating people trade. Must cooperating people like each other? _____
2. Will people who trade tend to be peaceful? ___
3. . . . Even if they don't like each other? _____
4. Why? _____
5. Is increasing trade evidence of increasing cooperation? _____
6. And evidence of expanding civilization? _____
7. Is the converse likely to be true, that restricting trade and other contact may be harmful to civilization. _____
8. Without really meaning to, does the trader tend to expand the frontiers of civilization? _____
9. Does the trader act for the good of civilization, or in his own interests? _____
10. Is it a good thing that at the forefront of civilization are people who are acting selfishly?

Testing!

1. ***Draw a line through every example of coercion (but leave alone all the examples of cooperation). Beware! There is a trap!***

department store	food stamps	friendships
price controls	movie house	the draft
elementary school	passports	free trade
supermarket	tariffs	taxes
slavery	contract	boycott

Cabbages and Kings (18)

Argument : Trading allows Labor to specialize. If you are not too good at making widgets, but very good at growing cabbages, it makes sense for you to grow cabbages and trade them for widgets.

Discussion :

1. In a cooperating community, should you specialize? _____
2. You specialize in cabbages and you're loaded with them. You go to the market to sell them, but find many other 'cabbage specialists' with a lot of cabbages are competing for business. What happens to the price of cabbages? _____
3. To compete, must you lower your price? _____

Testing!

1. ***At the market you are desperately trying to sell your cabbages. All around you, other cabbage sellers are cutting prices and forcing you to cut yours. Is this 'cut-throat competition' an example of cooperation or coercion?*** _____
2. ***State with less than ten words what should be done about this 'cut-throat competition' -- which is sometimes called The Law of the Jungle.***

Trading away exertion (27)

Argument : Almost all economists now agree that the market is the most efficient way to allocate resources. However, we are going to find some instances of market failure. To keep the advantage of the market we will have to make some adjustments. But, first let's see how it works now.

Trading is basically the exchange of exertion. We try to 'lay off' exertion on someone else. However, the amounts of exertion involved are not easy to judge, so we compare products and their prices.

Discussion :

1. When we exchange, are we trying to accept, or trade away, exertion? _____
2. When we are get money for our goods, are we actually accepting a credit for another person's exertion _____

Testing!

1. ***You are a producer. Choose (a) or (b) :***
   (a) your production cost influences its market price;
   b) the market price influences your costs?

Note : People believe that when costs rise producers can increase the price of their products. This is only true if all competing producers suffer a similar cost increase. But, if you try to raise prices on your own, you won't sell much. Also, if it was possible to raise prices, why haven't you done so already? Of course, competition decides your prices. If your costs get too high, you must simply stop producing.

Fleet maneuvers (27)

Argument : When ships of a fleet 'take station', it means they are finding their correct position with reference to each other. As the fleet maneuvers, the ships remain in station – in their relative positions. In the same way, products in the market 'take station', which means they find their relative positions - according to their prices.

So, a custom silk shirt at $20, and a cotton dress-shirt for $5 will each find its relative position - 'take its station'. We'll find which is the better purchase.

Discussion :

1. Which shirt is cheaper? _____
2. Which shirt is the better deal? _____
3. A new technique allows a silk shirt to be made for half the previous exertion, so the price drops to $10. Will some buyers conclude silk shirts have now become a better deal than cotton shirts? _____
5. Will a lot of buyers now now buy silk shirts until the market has satisfied demand? _____
6. Will the new price of silk shirts 'take station' in the market at a point that will again equalize the attractiveness of silk and cotton? _____
6. In the market, do prices equalize differences between goods so all compete on an equal basis? _____

Testing!

1. ***In the following, people will buy more, or fewer silk shirts than cotton, when :***
   a) the difference in price widens? _____
   b) the difference in price narrows? _____
2. ***Let's say you can get a Chevrolet for $12,000; a Pontiac for $15,000; a Cadillac for $25,000; a Jaguar for $45,000. Are the four cars competing in the market on equal terms?***

Market Clearing (28)

Argument : The price of a product in the market is called the **Market Clearing Price**. This can be defined as the highest price that will keep goods moving, that will 'clear' the seller's shelves.

Discussion :

1. If a seller easily sells his produce, will be likely to raise his prices? _____
2. If his goods still move well, is he likely to raise prices again? _____
3. If sales quieten and goods begin to fill the shelves, will he lower prices? _____

Testing!

1. ***When his prices are the highest that will 'clear' his shelves (and keep his business brisk) what is the price called?***

Price Mechanism (27)

Argument : The Market Clearing Price is not still. It moves constantly, in response to changes in supply and demand. The process that finds the clearing price is called the ***Price Mechanism.***

It hunts for a price rather like a hunting dog runs from side to side looking for the right trail. At first the dog ranges wide, then the swings become more focused until the course is found. In similar fashion, the clearing price is found by the price mechanism.

The hunting action is demonstrated on the freeway as you maintain a constant speed of 55 mph.

Discussion :

1. You meet an uphill section. Do you press or ease the gas pedal? _____
2. Next, a downhill section: press or ease? _____
3. A head wind? _____
4. A tail wind? _____

Testing!

1. ***Do you drive exactly at 55 mph, or around a speed of 55 mph?***

Widgets (28)

Argument : As your car hunts around 55 mph it is showing the action of the market - the process called the Price Mechanism.

When prices are low, producers stay away until they rise. When they are high, producers rush to market and down they come. The action of the price mechanism is usually quick.

Discussion :

1. When demand for widgets outstrips supply, what happens to widget prices? _____
2. When prices rise, widget supplies rush to market, satisfying demand. What happens to widget prices? _____
3. What happens to widget production? _____
4. Does the price mechanism automatically regulate widget supplies? _____
5. Prices are above or below the equilibrium when supermarket shelves are mostly:

   (a) empty? _____

   (b) full? _____
6. What do supermarkets do when (a)? _____
7. What do they do when (b)? _____
8. Do they do it quickly?

Testing!

1. ***The international money market recently offered the British pound for $1.7068. Would you say that price mechanism control of the money market is efficient?***

Speculator & good guy (28)

Argument : The speculator has a bad reputation. While others work, he acts the parasite, reaping without sowing. While others produce, he simply takes, contributing nothing. Yet, in fact, the speculator's function is to improve our standard of living by increasing the efficiency of the economy!

Day-to-day price levels don't vary much, but over a time period there may be considerable fluctuation. For example, hens lay more eggs during one season than another. It is time for the speculator to get busy.

Discussion :

1. Hens lay few eggs in January. You breed hens What kind of hens would you try to breed? _____
2. You have lots of eggs in November when eggs are plentiful and prices are low. Would you prefer to preserve them for January sale? ____

Testing!

1. ***If you sell your cheap 'November' eggs for a high price in January, are you being unfair to the consumer?***

Flatten the eggs (28)

Argument : To provide eggs in January (when they are short) you must remove eggs from the market in November, when they are plentiful.

DISCUSSION :

1. Do the eggs you 'unload' on the high priced market in January drop egg prices at that time? _____
2. Do the eggs you remove from the market in November tend to raise prices then? _____

Testing!

1. ***Have your speculative actions made market prices jump about more, or have they tended to even out November/January prices?***

August asparagus (28)

Argument : Because the speculator buys during a time of plenty (cheap) and sells during shortage (dear) he tends to flatten prices.

He also helps by taking risks that producers don't want to face.

Discussion :

1. You expect to sell your August asparagus crop for $10,000. A speculator offers $6,000 NOW for the expected crop. Is this offer ridiculous? _____
2. Is it possible for asparagus prices to drop more than 50% by August? _____

Testing!

1. ***Is a price collapse your worry, or his?*** ____
2. ***From his actions, what do you know about the talents of the speculator?***

_____

Government planners (29)

Argument : It is sometimes suggested that government agencies would better be able to plan future supply than the private speculator.

Discussion :

1. Do successful speculators make high incomes? _____
2. Do their incomes relate directly to their ability to satisfy the consumers' desires? _____
3. Is a bad speculator likely to be forced out of business by poverty? _____
4. Does a government planner have stronger, or weaker, incentives to be right than a private speculator? _____

Testing!

1. ***Your exceptional knowledge, skill, and ability to choose well, make you a top prospect to be either a private speculator or government. planner. What are you likely to become?***

CHAPTER II : LAND SPECULATION - All bets are off!

Argument : The economy booms creating a heavy demand for widgets. Prices rise.

Discussion :

1. Do rising prices have an effect on production at the widget factory? _____
2. While demand stays hot, do widget factories add more workers and extra shifts? ____
3. In a free market, would you expect a local shortage of widgets to be relieved quickly by a few truckloads of widgets from a place where widgets are plentiful? _____
4. Might demand create a heavy pressure for out-of-state widgets to be trucked in? _____
5. If that is insufficient, might we import some cheap widgets from Japan? _____
6. New techniques, better machines and advancing skills make production vastly more efficient. As a result, would you expect the price of widgets to rise or fall?

Argument : The economy booms creating a heavy demand for land. Prices rise.

Discussion :

1. Do rising prices have an effect on production at the LAND factory? _____
2. While demand stays hot, do LAND factories add more workers and extra shifts? _____
3. In a free market, would you expect a local shortage of LAND to be relieved quickly by a few truckloads of LAND from a place where LAND is plentiful? _____
4. Might demand create a heavy pressure for out-of-state LAND to be trucked in? _____
5. If that is insufficient, might we import some cheap LAND from Japan? _____
6. New techniques, better machines and advancing skills make production vastly more efficient. As a result, would you expect the price of LAND to rise or fall?

Testing!

1. ***Compare your six 'widget' and six 'LAND' answers and below write SAME or DIFFERENT. 1.***

1. _____ *2.* _____ *3.* _____

4. _____ *5.* _____ *6.* _____

Volume Five : The market that isn't a market at all - the collectibility of Land

CHAPTER I : WIDGETS - Fixing prices for the poor

Rush to market (30)

Argument : The price mechanism (or market process) cannot control land prices by stimulating a fresh supply, because the quantity of Land is fixed. No matter the demand - more cannot be produced.

You are a widget manufacturer, the economy is booming and widget prices are rising.

Discussion :

1. Should you sell your current production, or hold it off the market for a higher price? _____
2. Whether or not you sell, do you still have to pay your workers? _____
3. Are costs involved in storing widgets? _____
4. Your regular customers are desperate for widgets. If you don't supply them, will they be happy? _____
5. All things considered, is it wise to hold widgets off the market? _____

Testing!

1. ***Widgets are desperately needed by the poor, but are in short supply, so prices rise. This burden on poor people is attacked by governmment price control. Prices are therefore kept low. Does this action make more widgets available to the poor?***

Stay home and profit (30)

Argument : We'll repeat the argument once more, but this time with land rather than widgets. The economy is booming and you are a landholder. Land prices are rising.

And, as the primary characteristic of Land is its location, which is in place and cannot be moved, in response to market demand, prices soar.

Discussion :

1. Must the workers who produce your land be paid? _____
2. Does land cost anything for storage? _____
3. Do you have to bother with customers? _____
4. If you don't sell, could fresh supplies of land hit the market bringing down prices? ___
5. Or, can you expect prices to keep rising? _____
6. All things considered, is it wise to hold land off the market? _____

Testing!

1. ***Land is desperately needed by the poor, but is not available, so prices rise. This burden on poor people is attacked by government price control. Prices are therefore kept low. Does this action make more land available to the poor?***

CHAPTER II : COLLECTIBLES - better not to sell them

Not quite free market (30)

Argument : Everyone talks about the 'free market', so we should set out the defined concept. A market is not free if there is (a) any coercive restriction on the production of goods that serve it; or (b) any coercive restriction on supply to the market.

The free market price mechanism doesn't follow political or economic policy. It simply acts impersonally to keep the market close to the clearing price. Governments often impose tariffs, import quotas, or price controls, to avoid price mechanism discipline.

Discussion :

1. If there is 'just a little' governmental regulation of the market, is it free? _____
2. Must a market be either free or unfree?

Testing!

1. ***Can a market be free if there is only one buyer, or only one seller?*** _____
2. ***A government may fix prices :***

   a) above the market price;
   b) below the market price;
   c) exactly at the market price.

   Which of the four choices would be the most reasonable policy?

Note : When prices are kept artificially high (as in Russia) the shelves are full, for few can buy. When prices are kept artificially low (as in Cuba) everyone can buy, but the shelves are empty. The price mechanism acts impersonally to keep prices close to market clearing, which keeps goods moving to the consumer.

A spade is not a spade (31)

Argument : Even without coercive government intervention, the price mechanism may not work. This can lead to a lot of problems.

Something not easy to produce, or reproduce, is likely to be in short supply and have a high market value. But, something may not be merely difficult to produce. It may be impossible!

James Smith made spades. He made good serviceable spades which people liked and bought. Then, James Smith died.

Discussion :

1. You own an old Smith spade which has some use value. So, you keep it rather than use exertion to throw it away. Then, you notice that the market value for Smith spades is rising. Does selling the spade occur to you?_____
2. You think again. The market value for the 'Smith' has risen above the price of a new run-of.the-mill spade. Might you be tempted not to sell it? (After all, it might increase more.)? _____
3. You have a genuine James Smith spade. While spades can be made easily , can another 'James Smith Spade' be made? _____
4. Is another Smith Spade difficult to produce. or impossible to produce? _____
5. Do desirable things which are difficult to make tend to have high market values? _____
6. Are desirable things which are very difficult to produce, plentiful or rare?_____
7. Do we tend to equate rarity with value? _____
8. Is the James Smith Spade valuable as a spade, or because it is rare?_____

Testing!

1. ***As a consumer, your more important value is personal or market?*** _____
2. ***Consumers' products lose market value as they wear and age. Is this true of your Smith Spade?***

Holding on (31)

Argument : Your James Smith Spade has become a 'collectible', something worth holding because its value is expected to rise. Value of a collectible rests on uniqueness, and difficulty of reproduction.

However, As we'll discover, 'uniqueness' can be created. In fact, such creation is big business. But, let's look more at James Smaith and his spades.

Discussion :

1. A price rise in the market stimulates the price mechanism to draw fresh supplies to market. Can the price mechanism do this with Smith Spades?_____
2. When Smith Spades fail to come to market in response to demand what happens to their price?_____
3. Does a collectible possess more value in the future than the present? _____
4. The personal value of a spade is probably its use-value as a digging tool. Might expectation of increasing market value for a Smith spade outweigh any use-value it might possess?_____
5. Should this be so, might the anticipated future market value of a product become its personal value to the owner? _____
6. Will a collectible be held until a higher value is no longer expected?_____

Testing!

1. ***Is your 'anticipated future value' a personal value, or a market value?*** _____
2. ***If your personal value of something is greater than market value, will you trade (sell)?*** _____
3. ***Is your anticipated future value higher or lower than market.*** _____
4. ***You have a collectible. Are you likely to sell it, or to hold on to it?***

CHAPTER III : SCARCITIES - Tiger maple and Tiger beer

Empty cans & glasses (31)

Argument : A recycled beer can is worth perhaps 1¢. Yet, a Tiger or a Rosalie beer can may sell for more than $10,000 at the collectible market. Collectibles may fall into three groups, the unique, the rare, and the contrived!

Discussion :

1. Has the wineglass raised by Prince Charles to toast his bride become a unique collectible?_____
2. Could there ever be another? _____
3. Do many people own James Smith Spades? _____
4. Even though Smith Spades are rare and not unique, can they become collectibles?

Testing!

1. *A Rosalie beer can is a $10,000 collectible, yet thousands could be made simply by re-starting the production line. Give 2 reasons why the production line does not roll - even though the present price of a can is $10,000?*

   a) _____

   b)

Growth industry (32)

Argument : The wineglass may truly be unique, another 'Smith' may be impossible, but something may be collectible simply because duplication is possible, but far too costly, or difficult. Such collectibles may be contrived.

Discussion :

1. Anything may become a collectible. A bonnet-top highboy, tiger maple, circa 1765, is a beautiful product. Might it be worth its price of $3,800? _____
2. An empty metal Tiger Beer can, circa 1970, is a beautiful product. Do you think it might be worth its price of $10,000? _____
3. When your personal value of something has become its 'anticipated market value', is there any point to trading it? _____
4. What offer might persuade you to part with your 'collectible'? _____
5. You paid $4,000 for an empty Rosalie Beer can. You are offered an *anticipated future value* of $10,000. You accept. Does $10,000 now become the present value of the can? _____
6. Does the 'Rosalie Beer can now take on another 'future value'? _____
7. Unrestrained by the price mechanism, is the price of a collectible likely to keep rising? _____
8. Will it occur to people that 'uniqueness' could be created by issuing limited editions, or first mail covers? _____
9. Is the behavior of collectibles likely to spur a growth industry, devoted to the manufacture of 'contrived uniqueness"? _____
10. Is the 'collectible industry' harmful to the community?

Testing!

1. *You may sell your 'James Smith Spade' or keep it. Between what two values will you be choosing?* _____
2. *Check the most correct statement. The present value of a collectible rests on its :*

   a) usefulness to the owner; _____

   b) rarity or uniqueness; _____

   c) difficulty, or impossibility; of reproduction? _____

   d) intrinsic qualities of beauty, or artistic merit.

Landing some land (32)

Argument : Value in the collectible industry is derived from monopoly. Yet, it causes the economy little harm, although some individuals may inadvertently suffer from their own wrong decisions.

However, a vital part of the production process behaves like a collectible and causes problems.

Three choice lots are left in the downtown shopping area. You own one of them. In a normally advancing economy, the demand for good locations continually increases and lot prices rise.

Discussion :

1. Would you expect more land to be carted in from the desert, to cash in on the higher price? _____
2. In the normal economy, might you expect the price of the three locations to keep increasing? _____
3. Will personal value of your location be present market value, or your *future anticipated value*? _____
4. A nearby lot is sold at its *future anticipated value.* Will this now become the present market value of your lot? _____
5. Will you then readjust upward *your future anticipated* value of your lot? _____
6. Will this cycle be likely to repeat with the next sale? _____
7. Who gets the highest price for his collectible, the first to sell, or the last? _____
8. Land behaves like a collectible. Who gets the highest price for his lot, the first to sell, or the last to sell? _____
9. Should you hold on to your lot in the expectation that its value will increase? _____
10. Does land act like a collectible, and is land treated like a collectible?

Testing!

1. *You are holding vacant land as a collectible but it is earning no income. Perhaps you should sell it and invest the proceeds in something else. You can get 8% guaranteed investment return. What would cause you to hold on to your land?* _____

   _____

2. *Something else might affect your decision. How a government taxes profoundly influences the direction of your activity. Will your income from :*

   i. investing be taxed at a high income rate, or a low capital gain rate? _____

   ii. land appreciation be taxed at high income rate, or low capital gains rate? _____

   iii) Is this likely to persuade you to sell your land, or hold it?

Appreciating land (33)

Argument : We have a problem. Collecting is not usually harmful, but where land is collected and suffers a collectible price rise, a vital contributor to all production is kept from labor and capital. They have a problem!

Depending on its advantages (and disadantages) a particular location will be more or less desirable. But, one must have somewhere to produce, or sell, or to live, so demand for most space is intense and continuous.

Discussion :

1. Does the demand for land tend to be specific, or general?_____
2. Do these specific demands for particular locations raise their Rents -and therefore their sale-prices?_____

Testing!

1. ***In Holland, there is 'man-made' land'. The Dutch build dykes, pump out the sea, water and grow tulips? After this is done, is there more, or less, or the same amount of land as before?***

Unzone the cities (33)

Argument : The name 'Land' was originally given to the concept of untouched natural resources. But, are there any untouched 'natural resources'? In some way, perhaps simply by mapping, we have modified pretty much everything on, under, or over the planet. The only characteristic of Land that humanity could not change or modify is ***location***.

Discussion :

1. You specialize in gem sales. Do you open your new store in the intensely competitive 'jewelry district', or in a part of town where there are no other jewellers?_____
2. City land is too expensive. Will you build your sky-scraper on cheap desert land?_____
3. You have grade-school children. Where must you live?_____
4. You make heavy equipment. Where *must* you locate your factory : in the industrial district, where roads are wide, the electric voltage is high and the sewers are large - or in the middle of a residential sub-division? _____
5. If cities were 'unplanned' and not zoned, do you think heavy factories would stay out of residential areas?_____

Testing!

1. ***Land is kept from market. Might this give an impression that there is not enough land, or too many people?***

Penny black (34)

Argument : A collectible is a collectible is a collectible. But Land is a different collectible.

Discussion :

1. People hold land from the market Does this raise land prices still higher?_____
2. People who need a place to live or produce, bid higher and higher. Does this further reinforce collectors' decisions not to sell? _____

Testing!

1. ***Anticipating higher values, people hold from the market : a) a penny black postage stamp worth $18,000 ; b) a case of wine worth $72,000 ; c) city, suburban, farm land worth $1 billion : d) a Rosalie beer can worth $10,000. Which of these collectibles - if they are kept from the market - could cause significant harm to employment, housing, and production?***

Summary

The Price Mechanism describes the process that operates the market. It does so by stimulating, or discouraging, supply. The price mechanism seeks always to establish a position of dynamic balance between suppliers - an ***equilibrium*** or, as the physicists call it, ***a steady state***.

The Speculator deals in 'futures' - in what may happen to market prices at a later time. He tries to buy low and sell high. His 'buying low' tends to raise prices, while his 'selling high' tends to depress prices. Thus, his actions dampen fluctuations, thereby increasing the long term stability of the market.

Land Speculation is not the same as commodity speculation, for Land supplies are not controlled by the price mechanism. Essential to price mechanism efficiency is production and supply of fresh goods in response to market pressures. Land is fixed in both position and supply. There is no more land and what we have is immovable. Thus, increasing price mechanism pressure, which normally would pull to the market new supplies to satisfy demand, does not work with land. The price mechanism struggles to attract land to market by raising prices still higher - to no avail.

The Market is where change of ownership takes place. A market is free when goods may be produced for, and moved to, the market without political restriction. The prices of goods in the market hunt around their equilibrium.

Market Clearing Price is another name for market equilibrium – the highest price that will 'clear' goods from the market. At this *clearing price*, all goods that reach the market will pass to buyers without untoward delay. Principal market function is quickly to establish the clearing price. When prices remain above the clearing price (the equilibrium) there will be a shortage of buyers and fewer transactions. A market which fails to find clearing prices is not fulfilling its proper function.

Location is the primary characteristic of Land. The Land market exists to transfer ownership of locations. Prices above clearing price impede transfer. Land market prices are always above the clearing price which indicates failure of the Land market to fulfill its proper function.

Producers at the market will attempt to 'clear their goods' - to sell all their production. To do this, they may have to reduce prices. The highest price they can get while clearing their production is called the 'clearing price'. It's may also be called the 'equilibrium price' of a product.

Products 'take station' according to their clearing prices, or equilibrium. In station, the price mechanism, in response to supply changes will keep prices hunting around the equilibrium.

Things difficult, or impossible, to produce become scarce, which means that demand for them is not being satisfied. In reaction, the price mechanism drives up prices as it tries to pull more goods to market. The price increases make production of 'difficult to produce' goods attractive to more able producers. Fresh production reaches the market, satisfies demand and lowers the price to a new equilibrium. For these 'difficult' products, the price is likely to remain high.

Collectibles are goods which are not merely difficult, but impossible, to reproduce. The market, faced by scarcity, attempts through its price mechanism to draw fresh supplies to market. It fails, even though the price moves steeply upward.

The increasing price of a collectible is noted by traders, who acquire it for no purpose other than to hold it from the market for an anticipated future price. This action exacerbates the shortage, which sends prices still higher – and repeats the cycle. The function of the product falls second to its 'collectability' value.

Land becomes an important collectible. Land-value increases as a function of increasing population and productivity. No effort is required from the landholder qua landholder. Land is the perfect collectible. Its value may be expected constantly to increase. Usually, it costs nothing to hold. It cannot be stolen or moved away, so possession is secure.

Market action is reversed with Land. Producers of Wealth rush to market to capture a high price. The first to arrive get the best return. In the Land market the last to sell gets the highest return. A market where most suppliers are trying to be last to sell is likely to lead to paralysis rather than exchanges. Unlike other collectibles, Land is essential to production. When something so vital is collected, rather than supplied to Labor and Capital, sickness is likely to inflict our economy.

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