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Some Ignored Economic Principles

THE WORLD CAN NEITHER GET INTO DEBT NOR LAY UP STORES FOR THE DISTANT FUTURE

In accord with my statement in the first issue of this paper. I shall discuss, as opportunity affords, what I conceive to be some of the fundamental principles of a safe and sane system of economics. Here I begin with what seem to be the very basic conceptions of such a system. Like the circulation of the blood, which now seems so obvious yet was undiscovered till Harvey's day, these principles seem inescapable. Yet, if generally recognized by economists, it seems evident that they have been almost utterly ignored in their discussions.

The World Cannot Get Into Debt

Here is the primal proposition: The world cannot get into debt. Since the essential quality of debt comprises a draft upon the future, the corollary of the former proposition is: The world cannot make a draft upon the future.

In the light of present conditions, the statements seem paradoxical. Individuals and nations are wallowing in a slough of debt, and because of that fact consumption is minimized; while the apparent superabundance of goods has put the brakes upon productive activities. It is my task to establish those principles, together with another: The world cannot lay up stores for the distant future.

Fundamental Statements

All production of wealth is due to the application of labor to materials already existing. Accordingly, the only essentials for a perpetual continuation of the production of wealth are perpetual supplies of labor and materials.

Machines, similarly produced, may multiply the effects of labor, but that fact does not affect the validity of the principle. Soils may be used again and again for the production of wealth. In manufacturing, the materials are transformed, and cease, as a rule, to exist longer in a state to be used again in the production of wealth.

Labor constantly renews itself in the new generations and no labor expended can become a draft upon the future. Then, the only possibility of a draft upon the future by the production of wealth lies in the consumption of an undue proportion of exhaustible or un-reproducible material. But nature has been so lavish in her provisions that few, if any, materials essential to the production of wealth do not exist in almost inexhaustible quantities or are not readily reproduced, as timber for instance, and those few, if now or in the past deemed absolutely essential to such production, will find their shortage counterbalanced by the discovery of substitutes.

Once it was deemed that the coal supply might sometime be exhausted. But even if the supply had not been discovered to be extravagantly abundant, electricity from water power has already curtailed the need for that fuel, as it may readily do for oil, and as it has already done in the case of lights. Too, sources of energy now scarcely dreamed of may be counted upon to afford abundant substitutes for energy derived from coal or oil. Only two weeks ago the renowned scientist Piccard predicted that the cosmic ray would furnish an inexhaustible source of energy for the future. And thus it is with any supposedly essential material for the production of wealth or for its transportation and distribution.

The Conclusion

If labor and material are the essentials of the production of wealth and if there is no danger that either will fail to exist in sufficient quantity so long as wealth shall be needed, it is evident that the consumption of neither labor nor material can create a draft upon the future, which is the essential, if not the only, quality of a debt. That is, no future labor nor any material at a future date will have to be expended or consumed in replacing the labor expended or the material consumed in the production of wealth at the present or in the past. Therefore, the world cannot, in any way, get into debt, whether in the production of tangible or intangible wealth or benefits, the latter including any and every expenditure of physical, mental or spiritual energy for the betterment of mankind's existence, or even for destructive purposes.

Concrete Illustrations

North Carolina owes millions for highway construction. But from the world standpoint, not a cent is owed. The material was long ago prepared and every ounce of labor expended. When the road is completed the two

constituents of the construction, material and labor, including supervision and every accountable expenditure of time by any person, can never become a draft upon the future. The food, the clothing, the tools, the education of the engineers—none, none of them is a charge upon the future, but represents only the consumption of formerly existing materials and formerly expended labor—neither ever to be consumed or expended again.

The World War Paid For

The world war, with all its destruction, did not, and cannot, become a charge upon the future, only in so far as the efficiency of the wounded and the diseased was impaired and themselves became dependent upon the strong for future support and care and so far as irreplaceable material was consumed or wealth which must be replaced destroyed. The guns, the ammunition, the ships, cantonments, or any expenditure of labor or material for things that were no longer needed, and therefore needed not to be replaced, could make no draft upon the future. On the contrary, a needed home or factory destroyed did make a draft upon the future for its replacement. But the expenditures for the things that should not be replaced exceeded the necessary replacements by a hundred fold. France, it is understood, has long ago made the necessary replacements on her soil. Even the coffins for the dead were creations of existing material and of past labor. The future is unhandicapped by the cost of the war. Every hour of time and every bit of material were charges upon the time being and were promptly settled. In short, it is folly to say the world owes, or ever owed, for the war. There was no appreciable debt—that is, from the standpoint of world economy.

In fact, the tax was heaviest during the operations. Heavier tasks were laid upon all classes of every participating nation, in that the labor necessary to carry on the usual program was augmented by that needed to maintain military operations. The wealth consumed already existed or was produced by that additional expenditure of labor. The lack of goods in several nations had to be counterbalanced by deprivations. But those deprivations needed to extend no later than the period required to produce a store of food and raiment. Deprivations could not create a debt. They were a matter of the present, now the past. And when a worldwide inventory was taken after the armistice, the world was found to have in it as a whole food and raiment, or material for the latter, sufficient for all, in the measure to which the varied populations had been accustomed. Consequently, from the world standpoint, there was little, or no, lack of the essentials of the usual degree of human welfare at the close of the war. And that fact stands, despite the other fact that millions and millions of men and women had had their time and labor diverted from the peace-time pursuits to war work. Verily, the people of the United States dressed more extravagantly while several millions of her strongest men were employed in destructive operations than ever before or since. One never before nor since saw so many silk shirts as were seen in 1918 and 1919.

The foregoing observations prove not only that the war left no draft of any moment upon the future for material and labor, but really affords an illustration of the fact that a part of the population of the world can provide not only the necessary wealth to support in vigor the population, but also may lend a hundred million men and women to destructive work, destroying much of the immediate products of this partial supply of labor. Incidentally, then, imagine the superabundance that might exist with all populations actively and efficiently engaged in peace-time pursuits.

The world owes nothing. Its potentialities of production of every conceivable item of wealth and of conditions enhancing human welfare are such that only direction is needed to produce an abundance for every human creature on the face of the earth. Direction with a nation-broad purpose worked miracles during the war period. Lack of intelligent direction, from both the national and world standpoint, since the war, has brought want and suffering in the past and present and a promise of its dire continuance for a considerable period in the future.

The World Cannot Store Up Wealth For The Distant Future

The proposition that the world cannot store up wealth for the distant future is also readily demonstrable. The periods of the various reproductive and distributive cycles are the natural periods of storage. Those periods have been precautiously lengthened to assure a supply

in case of shortage of the usual production through disaster.

A notable case of the latter was the storage of grain by Joseph in view of the threatened seven years of want. Provision for a period longer than the reproductive cycle and in view of a possible shortage due to short crops or disease of cattle or any disaster that might conceivably diminish the supply of either manufactured goods or food products, is both possible and wise. But a recent disturbing element has served to extend rather disastrously, the period of storage, for the normal, as indicated above, is the natural and the needful. That element is cold storage and thorough protection against fire, weather, and insect depredations. Decay formerly removed any would-be troublesome surplus.

Yet, withal, the statement stands, that the world cannot store up wealth for the distant future. With all the storage advantages of the modern age, store houses are not sufficient nor could be readily provided to store up a supply of goods for, say, a fifty-year period, or even a ten-year period. Accumulation of money is altogether a different thing. Let the cycles of production cease and a cart load of money is worthless.

Wherein Provision May Be Made For The Future

Apart from the cycle and precautionary storage of wealth, the only wise provision for the future consists in increasing the potentialities of the production of goods and comforts, and of the general betterment of life. The clearing of broader fields, if needed, the enrichment of the soil, the founding of herds, the building of homes, factories, means of transportation, cultural institutions, hospitals, on any other thing that looks to the betterment of conditions and the broadening and enriching of life in the future are actual investments for the future and the only possible ones.

Wherein Appearances Deceive

The disorganized state of society and the clash of seeming interests of individuals and states have served to transform, apparently, an era of real and substantial investment for the future into an apparent orgy of debt-making. Every highway, every school building, every church building, for which the nation, state or municipality is burdensomely taxed now, was a real investment of the labor and material of the world. There should be nothing less in the world because of their building, and failure to build would have meant the waste of potential labor and of otherwise useable material. Verily, "things are not as they seem," when a world investment, and the only practical if not possible one, is deemed a fearful liability, and when this period of economy is seeing the waste of the labor of 12,000,000 of men and women, while the struggle is being made, to pay for what has long ago, from the broad economic viewpoint, been paid for.

The Phenomenon Explained

The phenomenon is explained by the disregard of the foregoing principles by individuals and institutions. Every man is striving to nullify the natural law that provision cannot be made for the remote future, nor needs to be made. The misconception that laying up money is laying up wealth has continuously brought sorrow and want upon great groups of men. Debts are imposed upon individuals, communities, states, and nations, for what is only a fallacious enrichment of other individuals or for a deceptive provision for the future. Plenty for all is denied because of a feared lack of enough for the few. If there should be plenty for all, the provision is unnecessary; if not, and if actual famine should occur, there is no provision that safeguards one's wealth against a hungry multitude. The few of France waxed fat at the expense of the want of the multitude—the guillotine was the multitude's response. The aristocracy and favored few in Russia, like the rich man of the New Testament, had laid up riches, as they thought and had bidden their souls take their ease but, like the rich man's, their lives were required of them in a night.

And even at this stage of affairs, American investors see their supposed investments entirely lost or shrunken like Governor Vance's negro's catfish when its head had been cut off.

The World Cannot Make Draft Upon The Future

But not only are individuals trying to nullify natural laws, but also great institutions. Endowments and the heaping up of immense insurance funds are a violation of the principle that we have been leading up to, namely, that the world, which cannot owe the past, cannot make a draft upon the future. Yet every dollar of in-

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