

THE FIXED QUANTITY OF WEALTH FALLACY: HOW TO MAKE YOURSELF MISERABLE ABOUT THE PAST, THE PRESENT AND THE FUTURE OF MANKIND

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The fixed quantity of wealth fallacy is an old enemy of libertarians. Almost all of us have denounced it in conversation at various times, and literally hundreds of us have denounced it in writing. I now add my attack on this fallacy to the vast pile already in existence because this is not just any old fallacy; it is a fallacy of epoch-making importance, which cannot be denounced too often.

THE MELODRAMAS OF MARXISM

The essence of the fixed quantity of wealth fallacy is the claim that wealth cannot be created, only rearranged. Suppose you believe that. What follows?

You look at the world, and you see rich people getting their hands on more and more wealth. They can't have added to the sum total of wealth, because wealth isn't like that. Wealth can't be added to. Therefore these rich people must have stolen their wealth from others. The only question is: from whom?

Karl Marx supplied the first great answer to this question. The rich capitalists were getting richer by stealing from their workers, who were thus inevitably getting poorer. (And eventually the workers, in a despairing fury, would rise up and destroy the capitalists.)

Marx greeted every tremor of economic difficulty in the latter half of the nineteenth century as the begin-

ning of the end for capitalism, and he fiddled the numbers to try to prove that despite all appearances the workers were getting ever poorer, and that they would accordingly oblige with a revolution.

By the beginning of the twentieth century the Marxist melodrama had become impossible to believe in any more. The poor people of the rich countries were, in defiance of Marx, getting steadily less poor.

There *was* a Revolution, which meant that "Marxism", as interpreted by the successors of the now deceased Marx himself, carried more weight than ever in the world. But this Revolution had disobeyed Marx by happening in one of the poorer countries, Russia, not in the richest ones. What was going on? Why were the poor in the rich countries getting less instead of more poor, and hence less inclined to revolution?

The leader of the Russian Revolution, Lenin, supplied the next great answer. The people of the rich countries were all getting richer because the rich *countries* were stealing wealth from the poor *countries*, from the "Third World". (And eventually, the Third World would rise up in a despairing fury ...)

For as long as the world's poorest countries all had the good manners to remain poor, this revised, Marxist-Leninist scenario retained its plausibility. But by the second half of the twentieth century, a few of the formerly poorest countries — most notably Hong Kong, Taiwan, Singapore and South Korea — were also starting to get rich. Were these Asian Tigers — apparently getting rich by assembling such things as cheap radios — in reality secretly looting the most distressed parts of sub-Saharan Africa, and was this the explanation of the wealth of the Asian Tigers and of the disastrousness of sub-Saharan Africa? Hardly.

The collapse of the credibility of the revised Marxist melodrama coincided with the collapse of Marxism itself and of the regimes founded upon and justified by it. All of humanity, it was now clear, was capable of getting richer. That many people were still cruelly poor no longer seemed like an inevitable fate. It was simply a mistake, and what is more, a mistake typi-

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cally made by Marxist or Marxist influenced countries. After all, if you don't believe that the process of wealth creation is possible, you won't worry about wrecking it, will you? Although capitalism became steadily less like the melodrama first proclaimed in the Communist Manifesto, the countries presided over by Marxists became uncannily like that melodrama. (And eventually, in a despairing fury ...)

ENVIRONMENTALISM

So is the fixed quantity of wealth fallacy now over and done with? Alas, no. Humanity is now enduring the next great answer to the same old question, about who the nice but unlucky ones are, that the nasty but lucky ones must now be stealing from.

Yes, goes this next great answer, people generally are indeed getting ever richer. But, we are *all* stealing from ... The Environment. Mother Nature. Mother Earth. Gaia. (And eventually, in a despairing fury, The Environment will rise up and ...)

Until such time as Mother Nature is also seen to be thriving as never before — becoming ever more varied, abundant, ubiquitous and fecund — we are going to have to share our civilisation with people wanting to do the same old Marxist things to it, but for Environmentalist reasons. Many of these Environmentalists used to be — or still are, on the quiet — Marxists, and Environmentalism provides them with a new excuse for what they have got used to wanting. Having abandoned the previous public justification of their efforts, they can still redouble these same old efforts, in the service of a new aim.

POPULATION CONTROL

Fixed quantity of wealth believers are necessarily depressed about the future. Wealth is fixed, so the only variable humanity can alter is the number of its mouths to be fed. The “population explosion” must be curbed. The more benign anti-populationists favour contraceptives and abortion, and threaten us with plagues and wars. The more rabid anti-populationists *welcome* plagues as Mother Nature's alternative to wars, and the nastiest anti-populationists of all actually welcome the plagues *and* the wars.

Fixed quantity of wealth believers are even depressed about the past. They deny the creativity of past civilisations, such as Europe in the nineteenth century, which seem to have been very creative. Wealth, being uncreatable, can only have been rearranged, from Africa or India to Europe, for example.

DENYING THE CREATIVITY OF TECHNOLOGY

To the fixed quantity of wealth believers, technology is like a conjuring trick. Oh sure, it may *look* as if a rabbit is being “produced” out of the man's hat, but the rabbit was there all the time. All that the conjuror is

really doing is rearranging things. He isn't *producing* anything. All he's doing is conning a lot of people into thinking that he is.

AN UNEXAMINED ASSUMPTION

Merely providing statistics which seem to prove that wealth was indeed created in some parts of the world, while simultaneously not stolen from other parts of the world on anything like a sufficient scale doesn't address the basic beliefs of the fixed quantity of wealth fallacists. As far as they are concerned any new wealth which *seems* to appear in one place *can only be accounted for* by it having been removed from some other place. It is this actual conceptual fallacy itself which must be attacked, not the bogus numbers which its adherents are driven by it to invent.

The first answer to those who assume that wealth cannot be created is simply to say: *yes it can!*

The reason why this fully frontal method of debate is so effective is that the fixed quantity of wealth fallacy is not one of those ideas which typically gets explicated logically. People who think stupidly about capitalism don't start by stating the fixed quantity of wealth fallacy as one of their axioms. Rather, they have jumped to their false conclusions about the world and its alleged economic woes by assuming *without thinking about it* that wealth cannot be created. And you can *make* them think about it, by simply telling them: *wealth can be created*. Yes. It truly can. Maybe that simple announcement will be enough to sort out the mess of their thinking right there.

You can then lead them gently by the hand through all those complicated and hideously unfamiliar notions, like: Western Civilisation hasn't totally wrecked the planet. Poor people can get richer without rich people getting poorer. Coloured people can get rich too, so there's no need to abort all those coloured babies. Life is *not* an endless Hobbesian war of all against all, for a static amount of the good things of life. Americans can carry on eating too much junk food if they want to, because they *didn't* steal this food from India; they grew it themselves. The rest of us can also grow what *we* want, so *we* needn't starve either. A whole new world of creative achievements, past, present and future, opens up, once you accept that wealth is indeed creatable, and that it has been, is being and will go on being created, and on an ever vaster scale

WEALTH CAN BE DESTROYED

Those who refuse to believe that wealth can be created, even when the proposition is shoved explicitly in front of their noses, require slightly more subtle handling. Don't go on about creation, if they can't accept it. Switch to the idea of *destruction*.

It is, course, fatuous to believe that wealth cannot be destroyed, just as it is fatuous to believe that it cannot be created. Both ideas are equally daft. But anti-capi-

talists, unwilling to concede that capitalism could possibly create anything, are far readier to accept that it might be destructive. After all, these people consider capitalism to be tremendously nasty, and it really sticks in their throats to say that it never does things like destroy people's homes or food supplies. And once they agree that something can be dismantled or smashed apart or consumed into a state of uselessness, they'll be well on the way to conceding that other kinds of effort might achieve the reverse of the above destructive process, putting things together, from a state of uselessness into a state of usefulness. Conceding the reality of destruction is a big step towards admitting that creation might also be possible.

If, on the other hand, wealth *can* be destroyed, but *can't* be created, that would mean that the sum total of the world's wealth must inexorably be diminishing, what with all the capitalism we've been having lately. So how come even the rich white folks are still getting three square meals a day? How could that possibly be happening? And anyway, doesn't *consuming* a meal reduce the sum total of wealth in the world, to the tune of one meal? Where's it all coming from? Where the wealth is coming from is: people are creating it.

I realise this must all sound very obvious to most of my readers, but I am describing how to knock sense into the heads of some extremely stupid people.

CONFUSING A FIXED PATTERN WITH TOTAL IMMOBILITY

If the fixed quantity of wealth fallacy is indeed such a fallacy, how come so many people fail to realise this?

Part of the answer is that people are confusing, on the one hand, a state in which there is an approximate *balance* between the *rate* at which wealth is being created and the *rate* at which wealth is being consumed or being destroyed, and, on the other hand, a state in which wealth is neither being created at all, nor consumed at all, nor destroyed at all.

It's the same logical error as looking at the water coming out of a tap and disappearing down the hole in the sink, and confusing the immobility of the shape that the flow of water adopts as it rushes out the tap with the idea that the water itself is not moving.

Lucky people, of whom there are now a great many in the world, are by definition brought up in economic circumstances not unlike that tap. All over the world people are creating wealth, and watching it disappear down the throats of their children and into the bank accounts of housing loan companies. Nevertheless, they manage to keep their household finances in approximate balance without too great a struggle. Their pampered children then observe this balancing act, and grow up thinking it to be a static fact of nature, like a lake or a mountain. If such children get jobs where someone — someone like the government — is supplying the necessary resources without any argument,

the illusion may persist, of natural balance unsustained by any creative effort.

"Natural balance" sounds so nice. But if those who grow up believing in balance then see it threatened, while failing to appreciate the creativity that establishes and sustains such balances, they will become obsessed with the threat of catastrophe. Things, they will feel, can only get worse; all balance will be "fragile". They will see disaster around every corner in the great human journey.

People with more stressful, less spoilt childhoods, in which the struggle of parents to make ends meet was more obvious, grow up realising that such struggle has always occurred, and that it often — although not inevitably (for wealth can be destroyed) — gets creative results. They are thus more inclined towards economic truth and economic optimism.

BALANCE IMPOSED — AND THEN CONSIDERED A FACT OF NATURE

Having got used to living a life of "balance", a lucky person — or a spoilt and ignorant person, depending on how you look at it — will tend to favour political arrangements that perpetuate whatever "balance" he has become used to. He will be a conservative. He will favour laws forbidding the kinds of changes that are liable to accompany new forms of creativity. He will contrast the messiness and conflict that accompany the new ways of doing things that he so fears, with what he imagines to have been the effortless, infinitely sustainable ease of things as they now are and always should be.

If the "lucky" people win, and suppress all possible futures in favour of their static, compulsory idyll, then something easily mistaken for a fixed-quantity-of-wealth world will be created. The lucky people will own whatever are considered the proper forms of capital and will permit income to be gained from this capital only by a legally limited range of methods. Unless they recklessly squander their capital, they will be well looked after. But all attempts to assemble capital of new kinds, or to gain income from existing or newly acquired capital in new ways, will be suppressed, by laws which forbid technical innovation and taxes which stop poor people from saving enough wealth from their incomes to create new capital to invest in new projects.

You see this sort of politically imposed balance just about everywhere in the world that you look, but a great deal more in some places than in others. Insofar as "balance" prevails, people will see the world as a fixed-quantity contest, because as far as they are concerned, it is. If agriculture is only allowed to be practiced in certain legally prescribed ways, then land is indeed "limited", in the sense that you can indeed only get a certain fixed amount of wealth per year from a certain fixed area of land. And if agriculture is all that is allowed, that means that the only way to get rich is

to find some way of getting land from existing landowners, and become a landowner yourself. In such a world, for the rich to get richer, the poor do indeed have to get poorer, and if the poor are to get rich, the rich will indeed have to get poor.

But the “lucky” people living in their balanced places aren’t really so lucky, because in other places balance is less favoured and creativity and innovation are proceeding far more rapidly. Life in these unbalanced places is getting rapidly better, for just about everybody. Soon offers will be flooding in from foreign places to the *unlucky* citizens of the balanced places that these hitherto frustrated and embittered citizens will be eager to accept and which their lords and masters will find it difficult to interrupt. So, yet again, there’ll be a fixed-sum battle about what sort of place the future is going to be. Insofar as one side wins, the other side will inevitably lose. Once again, in some eyes, the fixed quantity of wealth fallacy will be confirmed, even though it was precisely the greater ability of wicked foreigners and vulgar local upstarts to create wealth that caused all the trouble.

CONFUSING THE TEMPORARILY LIMITED NUMBER OF COPPER ATOMS ON THE PLANET EARTH WITH A PERMANENT SHORTAGE OF WEALTH IN GENERAL

If you are determined to believe that wealth is fixed and not creatable, you will be particularly keen to talk about minerals, for there are indeed, for the time being, only a certain number of copper atoms on this planet. But wealth, to be wealth, has to be usable. Getting copper in a very impure state from a mile beneath the surface of the earth to the surface of the earth in a much purer state is itself an act of wealth creation. So is devising new ways to make electric wire which use less copper and more of something cheaper. So is finding cheaper ways to get copper from rubbish tips. And, as a very wise economist has said, there are no shortages, there are only prices. If you allow the price system to function, then any interruptions to copper supplies will cause the price of copper to go up, and the search for more copper and for ways of making do with less copper to intensify. End of problem.

The only serious worry is that, in an attempt to preserve “balance” somewhere or other, usually in their own back yard, fixed quantity of wealth fallacists will freeze the price of this or that resource well below its market level and cause the resource to be over-consumed and under-supplied, a shambles they will perpetuate by saying: look, we told you so, we *are* running out of the stuff! That *caveat* aside, all prophecies about the imminent disappearance of the earth’s scarce resources are humbug and can be ignored.

The recent proof of this is that the price of the earth’s allegedly scarce and disappearing resources — such as oil and metals — has actually been going *down* in recent years, that is, *usable* supplies of them have been

becoming *more abundant*. When a fixed-quantity-of-wealth fallacist has finished complaining about how capitalism is squandering the world’s resources, he is liable then to say that capitalism is actually *less* keen to get its hands on the natural resources of the still poor countries than it ought to be. But the answer is not for the price of copper to be fixed at an artificially high level. That will merely cause a black market in cheaper copper and an irrelevant effort to use less copper. If governments try to keep the price paid for copper to poor countries high by buying copper at a high price and then selling it to the rest of us at a lower price, that will cost fortunes, will unleash an irrelevant search for more copper, and will result in a copper mountain. The right answer is for the poor countries which are now so dependent upon the price of a few resources to diversify into other kinds of wealth creation and thus make their futures more secure, which happily is exactly what they are now trying to do.

A further headache for poor countries with only copper to sell, and for anyone wanting to believe that the world’s copper supplies are about to disappear, is that technologists may soon devise ways of turning other sorts of atoms into copper atoms. Not that this would greatly change things. The medieval version of alchemy many take a while to get established as a serious business, but there already exist amazing new alchemical industries which even now are turning dirt into materials far more wondrous than mere copper.

Similar considerations apply to the even more daft idea of an alleged shortage of *energy*. This too will only run out if humanity decides to stop producing it.

UNLIMITED PROGRESS IS POSSIBLE FOR HUMANITY AND FOR ITS ENVIRONMENT

Wealth *is* creatable. Human effort, in harness with the human ingenuity that is embodied in technology, is getting greater and greater results per head with every passing year. Humanity has more than kept productive pace with its expanding numbers, and if it continues to think creatively, it will go on doing so.

As humanity grows, so will the environment in which it lives. As we expand the domain of our creative endeavours, setting up space colonies, mining the asteroids, creating vast floating space palaces, and all the while learning more of how the universe works, the lesser organisms who are our natural companions will expand their domains with us. We will take other seeds to the stars besides our own. The latest fixed quantity of wealth model of the world economy, of a growing humanity and a shrinking human environment, in perfect combined “balance” with each other and resulting in the inevitable destruction of humanity, will then be proved wrong.

At which point yet more attacks on the fixed quantity of wealth fallacy will have to be composed, to correct new falsehoods built upon this ancient error.