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THE INVERTED MORAL PRIORITIES

A widespread ignorance of a crucial economic issue is apparent in most discussions of today's problems: it is ignorance on the part of the public, evasion on the part of most economists, and crude demagoguery on the part of certain politicians. The issue is the function of wealth in an industrial economy.

Most people seem to believe that wealth is primarily an object of consumption - that the rich spend all or most of their money on personal luxury. Even if this were true, it would be their inalienable right - but it does not happen to be true. The percentage of income which men spend on consumption, stands in inverse ratio to the amount of their wealth. The percentage which the rich spend on personal consumption is so small that it is of no significance to a country's economy. The money of the rich is invested in production; it is an indispensable part of the stock seed that makes production possible.

Even the most primitive forms of production require an investment of time and sustenance (i.e., of unconsumed goods), to enable men to produce. The higher a society's industrial development, the more expensive the tools required to put men to work (and the greater the productivity of their labor). Some years ago, it took an investment of \$5,000 per worker to create jobs in industry; I have no exact figures for the present time, but the investment is now much higher. Deferred consumption (i.e., savings) on a gigantic scale is required to keep industrial production going. Savings pay for machines which enable men to produce in a day an amount of goods they would not be able to produce by hand in a year (if at all). This enables the workers in turn to defer consumption and to save some of their income for their future needs or goals. The hallmark of an industrial society is its members' distance from a hand-to-mouth mode of living; the greater this distance, the greater men's progress.

The major part of this country's stock seed is not the fortunes of the rich (who are a small minority), but the savings of the middle class - i.e., of responsible men who have the ability to grasp the concept "future" and to deposit one dollar (or more) into a bank account. A man of this type saves money for his own future, but the bank invests his money in productive enterprises; thus, the goods he did not consume today, are available to him when he needs them tomorrow - and, in the meantime, these goods serve as fuel for the country's productive process.

Except for short periods of unforeseeable emergency, a rational person cannot stand living hand-to-mouth. No matter what his income, he saves some part of it, large or small - because he knows that his life is not confined to the immediate moment, that he has to plan ahead, and that savings are his means of control

over his life: savings are his badge of independence and his door to the future - if he is to have a future.

Project fully and concretely what a hand-to-mouth existence would be like. Assume that you have a job which takes care of your immediate physical needs (food, clothing and shelter), but nothing more: you consume everything you earn. Without the possibility of saving, you would live in a state of chronic terror: terror of losing your job and terror of sudden illness. (Never mind unemployment insurance and Medicaid: insurance is a form of saving, and compulsory savings leave you at the mercy of the government.) Could you look for a better job? No - because you have no reserves to carry you a single day. Could you go to school to learn a new skill? No - because this takes savings. Could you plan to buy a car? No - this takes savings. Could you plan to buy a home of your own? No - this takes an enormous amount of savings over a long period of time. Could you plan an unusual vacation, such as a trip to Europe? No, nor any kind of vacation - a vacation takes savings. Could you go to a movie, a theater, a concert? No - this takes savings. Could you buy a book, a phonograph record, a print for your bare walls? No - these take savings. If you have a family, could you send your children through college? No - this takes a small fortune in savings. If you are single, could you get married? No - you have no way to increase your income. If you are an aspiring young writer or artist, could you hold a job, and skimp and go hungry and deny yourself everything - in order to buy time to write or paint? Forget it.

Would you care to go on living in such conditions? Since you are a person able to read, the answer is: No. Yet this is the state to which today's intellectual leaders (who are led by the egalitarians) wish to reduce you.

There is an old saying: "Time is money," which is true enough in an efficient, productive, free society. Today, the urgent thing to realize is that money is time. Money is the goods which you produced, but did not consume; what your deferred consumption buys for you is time to achieve your goals. Bear this in mind when you consider what inflation is doing to your savings.

Let us suppose that you have \$1,000 in a savings account. If the current rate of inflation is 10% (it is actually higher), you lose \$100 a year - the government is robbing you of that amount, as surely as if it took the bills out of your pocket. Are you permitted to write that loss off on your tax return? No - the government is pretending that the loss did not occur. But the bank pays you, say, 5% interest, i.e., \$50 a year - does this make up for half of your loss? No - because the government regards bank interest as "unearned income," and taxes you on it (the amount of the tax depends on your income bracket). Are there any public voices - in this age of "social conscience" - protesting against so vicious an injustice? No.

"Stripped of its academic jargon, the welfare state is nothing more than a mechanism by which governments confiscate the wealth of the productive members of a society to support a wide variety of welfare schemes." (Alan Greenspan, "Gold and Economic Freedom," in my book Capitalism: The Unknown Ideal.) The major part of this country's wealth belongs to the middle class. The middle class is the heart, the lifeblood, the energy source of a free, industrial economy, i.e., of capitalism; it did not and cannot exist under any other system; it is the product of upward mobility, incompatible with frozen social castes. Do not ask, therefore, for whom the bell of inflation is tolling; it tolls for you. It is not at the destruction of a handful of the rich that inflation is aimed (the rich are mostly in the vanguard of the destroyers), but at the middle class. It is the middle class that was wiped out in the German inflation; and the cannibalistic society that permitted it to happen, got what it deserved: Hitler.

Inflation is a symptom of the terminal stage of that social disease which

is a mixed economy. A mixed economy (as I have said many, many times) is an invalid, unstable, unworkable system which leads to one of two endings: either a return to freedom or a collapse into dictatorship. In the face of an approaching disaster, what is the attitude of most of our public leaders? Politics as usual, evasion as usual, moral cowardice as usual.

In view of what they hear from the experts, the people cannot be blamed for their ignorance and their helpless confusion. If an average housewife struggles with her incomprehensibly shrinking budget and sees a tycoon in a resplendent limousine, she might well think that just one of his diamond cuff links would solve all her problems. She has no way of knowing that if all the personal luxuries of all the tycoons were expropriated, it would not feed her family - and millions of other, similar families - for one week; and that the entire country would starve on the first morning of the week to follow. (This is what happened in Chile.) How would she know it, if all the voices she hears are telling her that we must soak the rich?

No one tells her that higher taxes imposed on the rich (and the semi-rich) will not come out of their consumption expenditures, but out of their investment capital (i.e., their savings); that such taxes will mean less investment, i.e., less production, fewer jobs, higher prices for scarcer goods; and that by the time the rich have to lower their standard of living, hers will be gone, along with her savings and her husband's job - and no power in the world (no economic power) will be able to revive the dead industries (there will be no such power left).

Since the men who know it keep silent, they leave the field open to swarms of political demagogues, who cash in on that housewife's despair and bewilderment. They provide her with a scapegoat, the usual one, the easiest to set up: the businessman. When she hears denunciations of "windfall" profits (or "exorbitant" profits, or "unfair" profits), she does not know how to determine what this means, what the size of profits "should" be - and she does not suspect that the demagogues do not know it, either (because no one can determine it, except the free market). It merely confirms her consumption-oriented view of wealth and suggests that she is the victim of somebody's "greed" - which nurtures her ugliest emotions. No one tells her that the businessmen's profits are the only protection of her home, her family, her life - and that if the erosion of profits were to force businessmen out of production altogether, the only alternative would be a "non-profit" industry run by the government; what this would mean to the people has been demonstrated amply and conclusively in Soviet Russia.

These are the things which the public urgently needs to know today, but is not being told. The better kinds of politicians do not indulge in business-baiting demagoguery, but they do not fight it; they are afraid to fight it; they merely struggle to appease the demagogues. So do most economists and most businessmen. What do they all fear?

The televised summit conference on inflation gave a clue to the answer. It presented a sorry spectacle of this country's intellectual leadership - and a startling dramatization of the fundamental problem: today's inverted moral priorities.

The representatives of the men who are of greatest importance to this country's production and are most needed today - the businessmen - were quiet, earnest, undemanding, and concerned (a little too selflessly) with the state of the economy as a whole.

The representatives of the men next in importance to production - organized

labor - were louder and more self-assertive; but, with the exception of a few demagogues, they assumed the responsibility of concern with national problems.

The representatives of the men who contribute nothing - the welfare recipients, the professional consumerists, the non-producers, the objects of public charity - were the loudest, the most aggressive, the most self-righteously arrogant and hostile. They made demands, displaying the kind of conventional "selfishness" - the greedy, grasping, grabbing kind - which is usually ascribed to a rich magnate, in leftist cartoons. They shouted, screamed, hissed accusations and commands in the tone of conquerors delivering ultimatums to their cowed, vanquished serfs. Their message, in effect, was that the needs of the non-producers are a first mortgage on the nation and must be met regardless of what happens to the rest of the country. How? They scorned the necessity to think of an answer. The answer was loudly implicit in their manner: Somehow.

Acting as if need conferred on their clients a special privilege, superseding reality - as if the needy had rights denied to the rest of mankind - they flaunted the consumption-oriented, range-of-the-moment, hand-to-mouth mentality that sees economics in terms of hunger, not of production, seeks "fairness" in terms of equalizing the hunger, and stands ready to devour the rest of the country (this country, where - according to their own leaders - poverty is not absolute, but "relative").

Nobody (with a very few exceptions) answered them or protested at that conference. Why did the reputable politicians, the economists, the businessmen keep silent in the face of outrageous abuse? Why did they allow the deadly, illiterate nonsense to proliferate without opposition? Why did they listen respectfully, apologetically, "compassionately," and promise more help to egalitarian savages? There is only one power that could paralyze the country's leaders, a power more potent than the power of money, of professional knowledge, even of political force: the power of morality. This was what the inverted morality of altruism accomplished, this was the kind of moral cowardice, intellectual disintegration, professional dishonesty, and patriotic default it led to in practice, at a time of national emergency.

There is a group of economists who deserved it: the so-called "conservatives" who claim that economics has nothing to do with morality.

Ayn Rand

P.S. This Letter was written later than the date that appears on its heading.

OBJECTIVIST CALENDAR

We have been asked to announce that on Friday, December 13, Dr. George Reisman will give a lecture at Hunter College, under the auspices of Hunter College Students of Objectivism. Title: "Capitalism: The Cure for Racism." Time: 7:30 P.M. Place: Hunter High School Auditorium, Lexington Ave. between 68th and 69th Sts., New York City. For further information, call Robin Stark, (914) 969-2027 (eves.).

B.W.