



How to Enrich or Impoverish a Nation

What has lifted more people out of poverty, charity or economic freedom? It's not even close.

Charity is wonderful, and I'll be the first to say we have an obligation to share our gifts, be they material, intellectual or talent oriented. Yet whether our redistributionist endeavor is charity — and charity is voluntary redistribution — or the less noble, coercive, outsourcing of charity known as government programs, there first must be wealth to redistribute. But where does wealth come from?



If we go back to biblical times and beyond, a man might be considered wealthy if he had 70 goats. In point of fact, the standard for wealth was so different that the US's average middle-class person today — with his car, TVs, computer, refrigerator and many other luxuries — would have been considered wealthy for most of history. And our average "poor" man, who also usually has an old car and various creature comforts, likewise has a material lifestyle that would have been the envy of our forebears. The reason for this is simple: there is far, far more wealth in the world now than in ages past.

The first lesson this teaches is that wealth can be created. This happens when people find more efficient ways of raising livestock (so 70 goats becomes small potatoes) and growing crops, and when they extract raw materials from the Earth and use them to create the manifold necessities and luxuries we enjoy. In a word, it happens when people *produce*, which is why economists and businessmen will measure productivity. And how will people be encouraged to produce?

They must have an incentive, and this is where the profit motive comes into play. Ah, the much maligned profit motive. Let's talk about that.

There are two extremes with respect to the profit motive. One is typified by some libertarian Ayn Rand acolytes who seem to treat it as the highest motivation; the other is far more prevalent today and is represented by another brand of "libs," people who behave as if profit is something dirty (at least other people's profit, anyway). But the balanced view is a bit different.

There is another kind of incentive. In America's early Christian communes, for instance, residents' belief that they were doing God's will — and perhaps winning His favor — served as a great incentive to be productive; thus did the communal Oneida Colony create renowned flatware. And, truth be known, there'd be no need for profit if we lived in a sinless world, for there would be neither covetousness nor laziness. If there was an unfulfilled need — paper products, for example — people would readily volunteer to create them simply to serve others, and no one would be wasteful or undermine the system by taking more of anything than he needed. But in a sinless world we wouldn't need a military, police or prisons, either.

Sane people live in the real world, however, where different rules apply. One of them is that since the spiritual/moral motive is the highest reason to serve your fellow man, it is also the rarest. And because



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of this, it cannot be relied upon to motivate people at the level of population. Enter the profit motive. To paraphrase economist Walter Williams, profit encourages your fellow man to serve you even if he doesn't give a darn about you. After all, Domino's didn't start making pizza to relieve hunger; Ivory doesn't make soap because "Cleanliness is next to godliness." To have your needs and wants satisfied, would you rather rely on the charity of your fellow man or his profit-driven self-interest? For the answer, just look at all the wonders of science and medicine, all the luxuries around you, and ponder what percentage of them were created based on charitable motives versus the profit motive. Again, charity is wonderful — but it's also relatively rare.

Of course, we should all strive to make it less rare in ourselves. But the lesson here is this: to minimize the profit motive personally is virtuous; to minimize it in public policy is vice. The motivation to serve others for a higher reason must come from within; a bureaucrat can decide to eliminate the profit motive via regulation, but he cannot replace it in the hearts and minds of the people with a more ethereal purpose. And this should be very easy for the bureaucrat to understand. Would he — or anyone else who sneers at profit — do his job for free? Precious few of us would. In fact, [research has shown](#) that those who protest the profit motive most are most driven by it (the likely explanation? Projection).

In fact, unnecessarily reducing the profit motive in civilization is evil. This is because productivity in a nation — which means wealth creation — will generally (at least) be proportional to the degree of profit to be had. Thus, a person who institutes unjust profit-reducers such as excessive taxes and regulations is a policy poverty pimp who can literally rob his society of billions in prosperity. A thief in an alley is less to be feared.

The fact that wealth is created teaches other lessons as well. For example, class-warfare demagogues encourage the notion that the poor have less because the rich have more. But unless the wealth has been stolen (which does happen; e.g., Bernie Madoff), this is utter nonsense. Consider: would it have made even one poor person richer if Microsoft's Bill Gates hadn't pursued his dreams and made his billions? It would in fact have made people *poorer*, as we wouldn't have the jobs and productivity-enhancing products he created.

So how can nations become as prosperous as the culture and character of their people allow? There must be a powerful profit motive so that people produce as much wealth as possible. And there is a prerequisite for this: great economic freedom (most still call this "capitalism," a grave mistake because the term was originated by socialists).

How important is this factor? In "Self-Inflicted Poverty," Dr. Walter Williams [points out](#) that there is an extremely strong correlation between a nation's level of economic freedom and its level of prosperity. He asks "Why is it that Egyptians do well in the U.S. but not Egypt?" After pointing out that the same could be said of others from poor nations who immigrate to the US, he points out that Egyptians are smothered with regulations and corruption. Providing one damning example, he writes, "To get legal title to a vacant piece of land would take more than 10 years of dealing with red tape. To do business in Egypt, an aspiring poor entrepreneur would have to deal with 56 government agencies and repetitive government inspections." The result is that Egypt's mummies have more life than its economy.

Given how important economic freedom is, we should note how it's lost: through lack of appreciation. After all, cease to value something, and you may not preserve it — demonize it enough, and you'll surely destroy it.

When appearing on a radio show some years ago on the heels of the financial crisis, the first question



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the host asked me was why economic freedom (she said “capitalism”) had failed. Her attitude was a staggering tribute to a lack of perspective, a spirit of entitlement and the tendency to count curses and not blessings.

Just walk into any American supermarket with the thousands of products from the world over available at affordable prices, and tell me economic freedom has failed. In fact, our whole modern world is a tribute to economic freedom. And what of the financial crisis? Well, people will talk about how it destroyed so many trillion dollars of wealth and place the blame on economic freedom. But remember the time when 70 goats made you wealthy? We only had trillions of dollars of wealth that could be destroyed to begin with because of economic freedom! In fact, economic freedom has provided a climate for such tremendous wealth creation that the trillions lost still represented only a small percentage of all the wealth in existence. Our “failure” is history’s raging success.

The problem here is that people tend to take what they have for granted and view wealth in relative terms. But returning to what I said about the poor, historically, being so meant that you didn’t have shoes on your feet or food on the table (if you had a table). In America today it generally means you have an older car, a TV, refrigerator, air conditioning and a host of other luxuries. The reality? Our government’s “poverty line” is a political ploy. In an absolute sense, there is very, very little poverty in the US — because of economic freedom.

Our great discoveries, inventions and innovations were not made by bureaucrats, nor generally at their direction. And while I encourage and support the charitable endeavors of my Catholic Church (the world’s largest private provider of aid to the poor), even its efforts to end poverty pale in comparison to economic freedom’s triumphs. This is no slight. Economic freedom unleashes the creative capacities of the common man, from border to border, transforming the populace into an army of wealth creators. And nothing can compete with that.

Without creation, there can be no distribution.

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