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The Natural Economic Order

A plan to secure an uninterrupted exchange of the products of labor, free from bureaucratic interference, usury and exploitation.

Money Part

By

SILVIO GESELL

Translated from the sixth German edition by
PHILIP PYE M. A.

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TO THE MEMORY OF

**MOSES - SPARTACUS
HENRY GEORGE**

and all those who have striven to create
an adequate economic basis for peace
and goodwill among men and nations.

PREFACE¹

The economic order here discussed is a natural order only in the sense that it is adapted to the nature of man. It is not an order which arises spontaneously as a natural product. Such an order does not, indeed, exist, for the order which we impose upon ourselves is always an act, an act consciously willed.

The proof that an economic order is suited to the nature of man is furnished by the observation of mankind's development. The economic order under which men thrive is the most natural economic order. Whether an economic order which stands this test is at the same time technically the most efficient order, whether it provides the bureau of trade statistics with record figures is a matter of secondary importance. At the present day it is easy to imagine an economic system of high technical efficiency coupled with gradual exhaustion of the human material. It may, however, be taken for granted that an economic order under which mankind thrives will also prove its technical superiority. For human work can, ultimately, only advance with the advance of the human race. "Man is the measure of all things" including the economic system under which he lives.

The prosperity of mankind, as of all living beings, depends in the main upon whether selection takes place under natural laws. But these laws demand competition. Only through competition, chiefly competition in the economic sphere, is right evolution, eugenesis, possible. Those who wish to ensure the full miraculous effects of the laws of natural selection must base their economic order upon competition under the conditions really decreed by nature, that is, with the weapons furnished by nature after the exclusion of all privileges. Success in competition must be exclusively determined by inborn characteristics, for only so are the causes of the success transmitted to the offspring and added to the common characteristics of mankind. Children must owe their success, not to money, not to paper privileges, but to the ability, strength, love and wisdom of their parents. We shall only then be justified in hoping that humanity may in time shake off the burden of inferior individuals imposed upon it by thousands of years of unnatural selection—selection vitiated by money and privileges. And we may also hope that

in this way supremacy may pass from the hands of the privileged, and that mankind, led by the noblest sons of men, may resume its long-interrupted ascent towards divine aims.

But the economic order which we are about to discuss has another claim to the title of a natural order.

Human beings, to prosper, must be able under all circumstances to give themselves out for what they are. A man must be something, not appear something; he must be able to stride through life with head erect — to speak the truth without incurring the risk of hardship or injury. Sincerity must not remain the privilege of heroes. The economic order must be so framed that a man may combine sincerity with the highest degree of economic success. The dependence inseparable from economic life should affect things only, not men.

If a man is to be free to act as his nature dictates, religion, custom and law must extend him their protection when, in his economic life, he is guided by justified egoism — when he obeys the impulse of self-preservation given him by nature. If a man's actions conflict with religious opinions, and if the man, nevertheless, is morally thriving, the religious opinions should be examined afresh on the presumption that a tree cannot be evil which brings forth good fruit. We must avoid the fate of a Christian reduced to beggary and disarmed in the economic trial for strength by the logical application of his creed—with the result that he and his brood go under in the process of natural selection. Humanity gains nothing if the finest individuals it produces are crucified. Eugenic selection requires the direct contrary. The best of mankind must be allowed to develop, for only then can we hope that the inexhaustible treasures latent in man will gradually be brought to light.

The Natural Economic Order must, therefore, be founded upon self-interest. Economic life makes painful demands upon the will, for great natural indolence must be overcome; it requires, therefore, strong impulses, and the only impulse of sufficient strength and constancy is egoism. The economist who calculates and builds upon egoism, calculates correctly and builds for all time. The religious precepts of Christianity must not, therefore, be transferred to economic life, where their only effect is to produce hypocrisy. Spiritual needs only arise when bodily needs have been satisfied, and economic effort should satisfy the bodily needs. It would be preposterous to start work with a prayer or poem. "The mother of the useful arts is want; The mother of the fine arts is superfluity" says Schopenhauer. In other words, we beg when hungry and pray when fed.

An economic order thus founded upon egoism is in no way opposed to the higher impulses which preserve the species. On the contrary, it furnishes the opportunities for altruistic actions and the means for performing them. It strengthens the altruistic impulses by making their satisfaction possible. Under the opposite form of economic order everyone would send needy friends to an insurance company and sick relatives to a hospital; the State would make all personal assistance superfluous. Under such an order it seems to me that many tender and valuable impulses must be lost.

In the Natural Economic Order founded upon egoism everyone must be assured the full proceeds of his own labor, and must be allowed to dispose of these proceeds as he thinks fit. Anyone who finds satisfaction in sharing his wages, his income, his harvest, with the poor may do so. Nobody requires, but nobody hinders such action. It has been said that the most cruel punishment imaginable is to bring a man among sufferers crying aloud for help which he is unable to give them. To this terrible situation we condemn each other if we build economic life on any other basis than egoism; if we do not allow everyone to dispose as he thinks fit of the proceeds of his labor. To reassure the humanitarian reader we may here remark that public spirit and self-sacrifice best thrive when the economic task is crowned with success. The spirit of sacrifice is one result of the feeling of personal security and power of those who know that they can trust to their own right hands. We may also remark that egoism should not be confused with selfishness. Selfishness is the vice of the short-sighted. Wise men soon recognize that their harvest is best served by the prosperity of the whole.

By the Natural Economic Order we mean, therefore, an order in which men compete on equal terms with the equipment given them by nature, an order in which, consequently, the leadership falls to the fittest, an order in which all privileges are abolished, in which the individual, obeying the impulse of egoism, goes straight for his aim undisturbed by scruples alien to economic life — scruples which he will have opportunities enough of obeying outside economic life.

One of the conditions of this natural order is fulfilled in our present, much-abused, economic order. The present economic system is founded upon egoism, and its technical achievements, which nobody denies, are a guarantee of the efficiency of the new order. But the other, the most essential condition of any economic order that can be called natural — equal equipment for the economic struggle — remains to be achieved. Purposeful constructive reform must be directed towards sup-

pressing all privileges which could falsify the result of competition. This is the aim of the two fundamental reforms here described: Free-Land and Free-Money.

The Natural Economic Order might also be called the "Manchester System", the economic order which has been the ideal of all true lovers of freedom — an order standing by itself without intervention from outside, an order in which the free play of economic forces would rectify the blunders of State-Socialism and short-sighted official meddling.

One can, indeed, now only speak of the Manchester system to those whose judgment is unaffected by the mistaken attempts at putting it in practice. Faults of execution are not proofs of the faultiness of the plan itself, yet an acquaintance with what is popularly known as the Manchester system is enough to make most people curse the whole theory from beginning to end.

The Manchester school of economists took the right road, and the subsequent Darwinian additions to their doctrine were also correct. But the first and most important condition of the system was not investigated. There was no inquiry about the field in which the free play of economic forces was to take place. It was assumed, sometimes from dishonest motives, that the conditions of competition in the existing order (including the privileges attached to the private ownership of land and money) were already sufficiently free, provided that the State stood aside and interfered no further with the development of economic life.

These economists forgot, or did not wish to see, that for a natural development the proletariat must be given the right of reconquering the land with the same weapons by which it was taken from them. Instead of this, the Manchester economists appealed to the State, which by its intervention had already disturbed the free play of economic forces, to prevent, by its power of coercion, the establishment of a really free play of forces. Such an application of the Manchester system was by no means in accordance with its theory. To protect certain privileges, dishonest politicians exploited a theory which rejected all privileges.

To form a just opinion of the original Manchester theory one must not begin by investigating its later applications. The Manchester economists expected from the free play of forces, first, that the rate of interest would gradually sink to zero. This expectation was founded on the fact that in England, where the market was relatively best provided with loan-money, the rate of interest was also lowest. The release of the economic forces and their free play, with the resulting increase in the

offer of loan-money would eliminate interest and thus cleanse the darkest plague-spot in our present economic system. The Manchester economists did not yet know that certain inherent defects in our monetary system (which they adopted without examination) were insuperable obstacles to the elimination, in this way, of the privileges of money.

Again the Manchester theory asserted that the division of inheritances and the natural economic inferiority of children bred in opulence would divide landed property and automatically bring rents into the possession of the people as a whole. This belief may seem to us to-day ill-grounded, but it was at least justified to this extent, that rents were bound to fall by the amount of the protective duties after the introduction of Free-Trade — which was also a tenet of the Manchester school. In addition to this, steam-ships and railways had just given the workers, for the first time, freedom of movement. This raised wages in England, at the expense of rents, to the level of the proceeds of labor earned by emigrants on rent- and mortgage-free American land (freeland farmers). At the same time the produce of these freeland farmers reduced the price of English farm produce — again at the expense of the English landlords. In Germany and France this natural development was intensified to such a degree by the adoption of the gold standard that a collapse would have occurred if the State had not countered the results of its first intervention (gold standard) by a second intervention (wheat duties).

It is easy to understand, therefore, why the Manchester economists, living in the midst of this precipitate development, and overestimating its importance, believed that the free play of economic forces might be expected to cleanse the second plague-spot in our economic system, namely private ownership of rent on land.

In the third place the Manchester economists held that since the application of their principle, the free play of economic forces, had eliminated local outbreaks of famine, the same methods, namely improvement of the means of communication, trade organization, extension of banking facilities, etc. must eliminate the causes of commercial crises. It had been proved that famines are the result of defective local distribution of food-stuffs, so commercial crises were supposed to be the result of defective distribution of goods. And, indeed, if we are conscious of how greatly the short-sighted policy of protective duties disturbs the natural economic development of nations and of the world, we can readily pardon the mistake of a Free-Trader of the Manchester school who, ignorant of the mighty disturbances

which can be caused by the defects of the traditional monetary system, expected the elimination of economic crises simply from Free-Trade.

The Manchester school argued further. "If, by universal Free-Trade, we can keep economic life in full activity; if the result of such untrammelled, uninterrupted work is an over-production of capital which reduces and finally eliminates interest; if in addition, the effect of the free play of economic forces on rent is what we expect, the taxable capacity of the population must increase to such a degree that within a short time the whole of the national and local debts all over the world can be repaid. This will cleanse the fourth and last plague-spot in our economic life, the burden of public debt. The ideal of freedom upon which our system is based will then be justified before the whole world, and our envious, malevolent and often dishonest critics will be reduced to silence."

That these fair hopes of the Manchester school have in no single particular been fulfilled, that, on the contrary, the defects of the existing economic order are becoming greater as times goes on, is due to the fact that the Manchester economists, through ignorance of monetary theory, adopted without criticism the traditional monetary system which simply breaks down when the development foretold by the Manchester economists sets in. They did not know that money makes interest the condition of its services, that commercial crisis, the deficit in the budget of the earning classes and unemployment are simply effects of the traditional form of money. The Manchester ideals and the gold standard are incompatible.

In the Natural Economic Order, Free-Land and Free-Money will eliminate the unsightly, disturbing, dangerous concomitants of the Manchester system, and create the conditions necessary for a truly free play of the economic forces. We shall then see whether such a social order is not superior to the creed at present in vogue which promises salvation from the assiduity, sense of duty, incorruptibility and humanitarian feelings of a horde of officials.

The choice lies between private control and State control of economic life; there is no third possibility. Those who refuse to make this choice may, to inspire confidence, invent for the order they propose attractive names such as cooperation or guild-socialism, or nationalization, but the fact cannot be disguised that all these amount to the same thing, the same abominable rule of officials, the death of personal freedom, personal responsibility and independence.

The proposals made in this book bring us to the cross-roads. We are confronted with a new choice and must now make our decision. No people has hitherto had an opportunity of making this choice, but the facts now force us to take action, for economic life cannot continue to develop as it has hitherto developed. We must either repair the defects of construction in the old economic structure or accept communism, community of property. There is no other possibility.

It is immensely important that the choice should be made with care. This is no question of detail such as, for example, whether autocratic government is preferable to government by the people, or whether the efficiency of labor is greater in a State enterprise than in a private enterprise. We are here on a higher plane. We are confronted with the problem, to whom is the further evolution of the human race to be entrusted? Shall nature, with iron logic, carry out the process by natural selection, or shall the feeble reason of man — of present-day, degenerate man — take over this function from nature? That is what we have to decide.

In the Natural Economic Order selection under free competition untrammelled by privileges will be determined by personal achievement, and will therefore result in the development of the qualities of the individual; for work is the only weapon of civilized man in the struggle for existence. Man seeks to hold his own in competition by constantly increasing and perfecting his achievements. These achievements determine whether and at what time he can found a family, in what manner he can rear his children and ensure the propagation of his qualities. Competition of this kind must not be pictured as a wrestling match or as a struggle such as takes place, for example, among the desert beasts of prey. Nor should it be imagined that the issue for the vanquished is death. Such a form of selection would be purposeless, for human strength is no longer brute force. We should have to go far back into human history to find a leader who owed his position to brute force. For the losers, therefore, competition has no longer the same cruel consequences as in those early days. They would merely, because of their inferiority, meet with greater obstacles when founding a family and bringing up their children, and as a result would have a smaller number of descendants. Even this result would not always follow in individual cases, for something would depend on chance. But beyond all doubt free competition would favor the efficient and lead to their increased propagation; and that alone would suffice to ensure the ascent of man.

Natural selection, thus restored, will be further intensified in the Natural Economic Order by the elimination of sex privi-

leges. To secure this aim, rent upon land will be divided among the mothers in proportion to the number of their children, as compensation for the burden of rearing children (Swiss mothers, for example, will receive about 60 francs a month for each child). This should make women economically independent enough to prevent them from marrying out of economic necessity, or from prolonging a marriage repugnant to their feelings, or from being forced into the class of prostitutes after a first "false step". In the Natural Economic Order women will have not alone freedom to choose their political representatives (an empty boon!) but freedom to choose their mates; and upon this freedom is based the whole selective activity of nature.

Natural selection in its full, miraculous effectiveness is then restored. The greater the effect of medical science upon the preservation and propagation of congenitally inferior individuals, the more important it becomes to preserve in full activity nature's methods of natural selection. We can then without reproach yield to the humane and Christian feelings which urge the application of medical science. No matter how great the quantity of pathological material resulting from the propagation of defective individuals, natural selection can cope with it. Medical art can then delay, but it cannot arrest eugenesis.

If, on the other hand, we decide for State control of economic life, we exclude nature from the process of selection. Human propagation is not, indeed, formally handed over to the State, but virtually it passes under State control. The State determines whether and at what time a man can found a family, and what sort of upbringing he can provide for his children. By paying its officials different salaries the State at present intervenes decisively in the propagation of those in its service, and in the future this intervention would become general. The type of human being which pleased the State authorities would become the prevailing type. The individual would then no longer gain his position by personal capacity, by his relation to other men and to his surroundings; his success or failure would, on the contrary, depend upon his relation to the heads of the party in power. He would obtain his position by intrigue, and the cleverest intriguers would leave the largest number of descendants — endowed of course with the qualities of their parents. In this way State control of economic life would influence the breeding of men, as changes of fashion in clothing influence the breeding of sheep, and determine the numbers of white sheep and black sheep bred. The authority composed of the cleverest intriguers would appoint — promote or degrade — each individual. Those who refused to become intriguers would fall into the rear; their type would become less numerous and

finally disappear. The State mould would form men. A development above the type it produced would be impossible.

I shall spare the reader a description of social life as it would develop under State control. But I would like to recall to mind that the principle of the free play of economic forces, even the travesty of this principle known to us before the war, allows very great freedom to large sections of society. Greater independence than that enjoyed by the possessors of money cannot well be imagined. They have complete freedom of choice of profession, work as they think fit, live as they wish, have perfect freedom of movement and never learn the meaning of State control. No one asks them from where they receive their money. They travel round the world with no other luggage than an "open Sesame" in the shape of a check-book — truly, for those concerned, an ideal state of things. This is indeed recognized as the Golden Age — except by those excluded from this freedom by defects of construction in our otherwise fundamentally sound economic system — except, that is, by the proletariat. But are the wrongs of the proletariat, the defects of construction in our economic system, any reason for rejecting the system itself and introducing, in its stead, a new system bound to deprive all men of their freedom, and to plunge the whole world into slavery? Would it not be more reasonable to repair the faults of construction, to liberate the discontented workers, and in this way to make all men sharers in the priceless freedom of the present system? For the aim, most certainly, is not to make all men unhappy; it is, on the contrary, to give all men access to the sources of the joy of life, which can only be unsealed by the free play of the forces inherent in man.

From the point of view of economic technique, that is, of the efficiency of labor, the question of whether private enterprise is preferable to State enterprise is equivalent to the question whether, in general, the impulse of self-preservation is more effective in overcoming the difficulties connected with each man's task in life than is the impulse of race-preservation¹.

This question, because of its immediate practical importance, is perhaps more generally interesting than the process of natural selection which requires ages to take effect. We shall examine it briefly.

It is a curious phenomenon that a communist, an advocate of community of property, usually believes all other men — so far at least as they are personally unknown to him — to be more unselfish than himself. Thus it often happens that

¹ The impulse, more or less developed in every man, to preserve the whole, the species, the community, the people, the race, humanity.

the most short-sighted egoists, who think first of themselves and sometimes only of themselves, are in theory enthusiastic communists. Anyone who wishes to convince himself of this fact need only, in an assembly of communists, make the truly communistic proposal of pooling and redistributing in equal shares wages and salaries. The result is a general silence, even among those who, a moment before, were loudest in their praises of communism of goods. All are silent because all are calculating whether they would gain by the community of wages. The leaders flatly reject the proposal with the flimsiest arguments. Yet in fact there is no obstacle to this community of income but the egoism of communists. Nothing prevents the workers in a factory, community, or trade-union from pooling their wages and distributing the total amount according to the needs of the separate families. By this plan they could gain experience in a matter of difficulty; they could convince the whole world of their communistic principles, and completely refute the skeptics who deny that man is a communist. No one prevents such communistic experiments; neither the State, nor the Church, nor the capitalists. No capital is required, no paid officials, no complicated preparations. A start could be made any day on any desired scale. But the need among communists for real community of economic life is apparently so small that such an experiment has never been attempted. Pooling of wages within the capitalistic system only requires that the proceeds of labor should be divided according to the personal needs of each individual; but for a State built upon community of property it would be further necessary to prove that this system did not diminish the individual's joy of work. This also the communists could prove by pooling their wages. For if, after the introduction of community of wages (that is, the abolition of all special reward for special effort) effort (especially in piece-work) did not diminish; if the pooling of wages did not reduce the total earnings; if the most efficient communists put their larger earnings into the wage-fund as cheerfully as at present into their pockets, then the proof would be complete. The failure of the numerous communistic experiments in the sphere of production is by no means so conclusive a proof of the impossibility of communism as the simple fact that the proposal to pool wages always meets with point-blank rejection; for community in the production of goods requires special preparations, discipline, technical and commercial leadership and, as well, instruments of production. Failure can therefore be explained in many ways, and is not a conclusive proof that the principle itself is false, that the communistic spirit, the feeling of solidarity, is too weak. But the proposal to pool

wages makes evasive arguments impossible. Its rejection is direct testimony against the communistic spirit, against the assertion that the impulse of race-preservation is sufficiently strong to overcome the hardships attached to the tasks of life.

And it is no escape from the logic of these facts to point to the existence of communism among the early Christians. The early Christians who practised, it appears, community of earnings but not the more difficult community of production, acted upon religious principles; and the others who practised family or tribal communism were under the orders of a patriarch, a father of the community. Both acted under forced or fanatical obedience, not in obedience to impulse. They were driven by necessity; they had no choice. Again, the production of goods for exchange, the division of labor, which makes differences in the individual achievements measurable and visible to every eye, was not yet established. Primitive men sowed and reaped, fished and hunted in company; they were all pulling on the same rope, so it was not noticeable whether an individual pulled a little more or less. No standards of measurement existed or were necessary, and life in common was tolerable. But with the production of goods for exchange, with the division of labor, a social order of this kind became impossible. The exact number of ells, pounds or bushels contributed by each member of the community was known to everyone and the peaceable division of the product of labor was a thing of the past. Everyone wished to dispose of the product of his own labor, above all the most efficient workers, those who could point to the greatest achievements and consequently enjoyed the respect of the community. The leaders must have endeavored to obtain the dissolution of the community, and they must have been supported by all whose achievements were above the average. When individual production became possible, community of production necessarily disappeared. Community of economic life, communism, did not disappear because it was feared and attacked by outside enemies. It succumbed to "inner enemies" consisting always, in this case, of the most efficient members of the community. If communism were based upon an impulse stronger than egoism, upon an impulse common to all men, it would have prevailed. The adherents of communism, no matter how often driven asunder by outward events, would always have tended to come together again.

The driving force of communism, the impulse of race-preservation (the feeling of solidarity, altruism) is, indeed, but a diluted solution of the impulse of self-preservation which makes for individualism in economic life, and its efficacy is therefore in inverse proportion to the amount of dilution. The larger the

society (commune), the greater is the dilution, the weaker is the impulse to work for the preservation of the community. An individual who works with one companion is less industrious than an individual who enjoys the fruit of his labor alone. If there are 10, 100, or 1000 companions, the impulse to work must be divided by 10, 100, or 1000; and, if the whole human race is to share in the proceeds of labor, everyone will say to himself "It does not matter how I work, for my work is but a drop in the ocean". Work is then no longer impulse-driven; impulse must be replaced by some form of compulsion.

For this reason the Neuchatel savant, Ch. Secrétan, is right in saying "Egoism should be, in the main, the stimulus of work. Everything, therefore, that can give this impulse more force and freedom of action must be encouraged; everything that weakens and limits this impulse must be condemned. This fundamental principle must be applied with inflexible resolution despite the opposition of short-sighted philanthropy and the condemnation of the Churches".

We are then justified in promising that even those who believe themselves indifferent to the higher aims of the Natural Economic Order will benefit from this reform. They may look forward to a better table, to better houses, to more beautiful gardens. The Natural Economic Order will be technically superior to the present, or to the communistic order.

II¹

Thanks to active and widespread propaganda by the now numerous friends of the Natural Economic Order, this fourth edition follows, after a brief interval, the large third edition.

Of the contents of the book I can say that the war has shown me nothing new. I have not been obliged to revise even the smallest detail of my theory. The events of the war and of the German revolution are so many proofs of the correctness of what I wrote before the war; and this is true of both the theoretical contents and of the political application of these theories. The war has given Capitalists, Communists, Marxists much food for reflection. Many, perhaps most, men admit that their programs were faulty, or they are frankly perplexed and embarrassed. Most men indeed no longer even know to what party they belong. All this confirms the truth of the principles upon which the Natural Economic Order is based.

The political parties all lack an economic program; they are held together by catchwords. Capitalism must be modified, that even capitalists admit. Bolshevism or Communism may be possible in a primitive state of society, such as is still

¹ Preface to the fourth Edition, 1920.

found in parts of Russia, but it cannot be applied to a highly developed economic system founded on the division of labor. The European has outgrown the tutelage inseparable from Communism. He must be free, not alone from capitalistic exploitation, but also from meddling official intervention, which is an integral part of social life based on Communism. For this reason we shall experience failure after failure in the present attempts at nationalizing industry.

The Communist, the advocate of the system of common property, stands at the extreme right wing, at the entrance-door of social development. Communism is therefore the most extreme form of reaction. The Natural Economic Order, on the contrary, is the program of action, of progress, of the fugleman on the extreme left. Transitional stages, merely, lie between.

The transition from the half-developed human being of the horde to the independent, fully-developed individual, the akrate, who rejects completely the control of others, begins with the inception of the division of labor. The transition would long ago have been an accomplished fact if it had not been interrupted by certain defects in our system of land tenure and in our form of money — defects which produced Capitalism; and Capitalism produced, for its own protection, the State as we know it — a hybrid between Communism and the Natural Economic Order. We cannot stop at this stage of development; the difficulties created by the hybrid would in time ruin us as they ruined the peoples of antiquity. There is no question to-day of halting or retreating; the choice lies between progress or ruin; we must push on through the slough of Capitalism to the firm ground beyond.

The Natural Economic Order is not a new order artificially put together. To allow the development of the order which starts from the division of labor, it was only necessary to remove the obstacles due to defects in our monetary system and our system of land tenure. More than this has not been attempted. The Natural Economic Order has nothing to do with Utopias and visionary enthusiasm. The Natural Economic Order stands by itself and requires no legal enactments; it makes officials, the State itself and all other tutelage superfluous, and it respects the laws of natural selection to which we owe our being; it gives every man the possibility of fully developing his ego. Its ideal is the ideal of the personality responsible for itself alone and freed from the control of others — the ideal of Schiller, Stirner, Nietzsche and Landauer.

May 5th. 1920.

Silvio Gesell