It is important to remember that this ALL happened not because of government, but in spite of it! The overwhelming preponderance of historical evidence is incontrovertible!

An economic system, such as that which existed in the U.S., is a highly charged environment. It operates in response to the most powerful form of compulsion which by its nature is inconspicuous and for this reason, nearly impossible to measure. Yet, its effects are clearly visible. It is the reason a demand exists and also the reason demand changes so abruptly. It is the origin of impulse and the arbiter of aversion. It is also an integral component of the system's ability to adapt, to adjust, to reset itself. This form, the source of compulsion, is none other than man himself! It is a core quality; we are a creator of constant thought and constant state of action whether physical or mental. *Even asleep, we are not at rest!* Likewise, it is perfectly understandable that an extension of this motive force, when left to its most creative and inherent self-expressive nature, will produce a "thing" that bears the mark of its very creator. Like begets like, does it not?

By way of affirming both the previous and the following paragraph, I trust you'll enjoy the subtitles of a simply wonderful quatrain. It belongs to the splendored genius of Omar Khayyam's "Rubaiyat":[5]

"For in the Market-place, one Dusk of Day,
I watch'd the Potter thumping his wet Clay:
And with its all obliterated Tongue It murmur'd
'Gently, Brother, gently, pray'!"

5 Omar Khayyám (1048–1131), a Persian poet, mathematician and astronomer.

Yes, even the "wet clay" hopes for the fullest possible expression at the hand of man's divinely inspired genius! To be sure, Nature's forms are compelled by their own uniquely prescribed intentions.

Owing then to its nature, the American economic system, when tampered with, can and does run afoul! In the final volume of the series, *Volume III: Valor in Prosperity*, we discuss more fully many of these issues and in what way the system may attempt to restore balance, for now though, let us review basics of the "System-Operational Parameters:"

1. The system will produce no more than the sum of its input.
2. The system creates no wealth beyond the tangible value it generates.
3. There is a law of economic balance that enables the system to function.
4. The "law" states: Any imbalance or perversion of either #1 or #2 fouls #3.

If you doubt the validity of these operational parameters (OP's) consider the following: The "system" identifies a need to hydrate four individuals setting out on foot for a five-day hike in the Sierra Nevada range. It is determined that the potential demand for water requires one gallon per day per person for a total of 20 gallons of water. Price and terms are agreed to and the system adapts to the demands of the venture and facilitates the production by making available the requisite supply of bottled water. Couldn't be more simple! Now then, let us add a bit of "intervention" to the mix of our four tourists – an additional four unexpected guests – and observe what happens to the status quo. Yes, one could simply ration the water and give each the same number of (partial) glasses per day[6]; however, and notwithstanding your most imaginative and specious assurances, you'll never be able to deliver on the promise of one gallon per day, per person!

The notion of taking a sum from one and giving it to another may sound egalitarian but the idea is strictly dysfunctional in practical terms. In truth, it is not the system that is broken as it met the prescribed requirements fabulously but simply that the random imposition is not what the system is structured to address; which, by the way, is not the same as what the system *can* produce! To be more precise: It should not be presumed that the system is unable to meet the additional demand, as this is a wholly separate issue and never *even* considered! It is, however, that the system is being asked to fulfill or accommodate a demand that is greater than the sum-total of the resource provided. In other words, from our previous example, the "system" is being asked to produce 40 gallons of water from a source of only 20 gallons. This is the illusion of the collectivist who espouses big government (and also the very same apocryphal design of our monetary/banking system) who either doesn't "get it" or simply doesn't want to! He only knows the idea of rendering unto him that which is yours and expecting you to provide it!

"THERE IS NO LIMITATION ON SUPPLY; THERE IS ONLY LIMITATION IN THOUGHT AND THE EFFORT REQUIRED TO BRING ITS REWARD TO LIFE!"

6 This would be the ideal opportunity for the "Financial Markets" to churn the cream. Whereas and not unlike their faux-market for Mortgage Instruments, they would create a series of *instruments* (derivatives) that would trade based on the market value of the non-existent "20 Gallons" and the other being a *security* that represents the risk of one of the eight dying from dehydration.

Yes, of course it is a seemingly simplistic illustration, and deliberately so! Nonetheless, it illustrates several points that are either conveniently ignored or deliberately overlooked – what an economy can do and what it cannot! It also validates the four System Operational Parameters, presented above, as follows: (a) The system will only produce the number of bottles (by volume) equal to the number of gallons of water placed in the system in the manner and form prescribed (Rule #1). (b) The rewarding effects of the water will only *ever* be to the extent hydration benefits the hiker (Rule #2). By the way, how the hiker uses or applies the benefits of being hydrated is left to his discretion. (c) The system fulfilled its contractual obligations by providing the bottled water as specified and received just payment as consideration for its efforts (Rule #3). And, (d.) The moment the system's performance (its degree of success) was measured against a subsequent demand, i.e., the addition of four guests, the expectations and outcome became incompatible with the structure of its mandate (Rule #4) and thus, it predictably fails.

In other words, *whatever wealth is created becomes a measured quantity; partitioning in whatever degree you may choose or among as many people as you like does not increase its value*. In fact what happens, as we see in the example above, the effort simply diminishes the unit value of the water (deflation) and simultaneously fabricates a false demand (inflation) – not unlike what occurs in the real estate market cycles. In the case of the hikers, *it's not that they live longer; they just die a little slower*!

This example, in effect, presents the illusion of collectivist economic ideology which begets the toxic fuel that kills a vibrant economic system. To be sure, they can feed the masses and concurrently ignore the fact that their growing burden is producing an ever-diminishing supply of food! We'd do well to remind ourselves of the former Soviet Union's economic system particularly if (as some may) my anecdotal commentary is considered as being without basis in fact.

Here are two additional examples where Rule # 4's consequential effects are triggered:

1. Any effort by the government to stimulate the economic system or cycle through regulation, arbitrary predation, monetary accretion and/or wealth consuming entitlement burden. Example: Government spending programs that provide no economic benefit, such as social welfare programs or price support systems/subsidies.
2. Extracting value out of the system by placing demands that are not congruent with its functional mandate. Examples: Progressive tax burdens that have multiple tax burdens on *distributed income* which are predictably prohibitive as to savings, investment and productive expansion. Predatory *collective bargaining* practices that *consume* in excess of their productive contribution. Systemic government *deficit spending* and dominance in *gross domestic product* (GDP) composition, which, at the present time, greatly exceeds the total *wealth creation* output of the nation. And destructive trade policies that have, summarily dismantled the *wealth creation* capacity of the nation.

Before moving on let us review a few remaining points which I trust will encapsulate the functional purpose of the current discussion and, as was the intention, the preceding illustration. Consider, if you will, the following points:

- An economic system can and will only produce wealth to the extent that the system is fueled sufficiently to create it.

- Wealth creation does not, nor will it ever, occur in a vacuum or absent the necessary means.

- So called "financial markets", in the absence of wealth creation, do not generate liquidity, they only "create" the appearance of capital flow through fabricating markets which consist (only) of churning fiat instruments of value. Not unlike government, there economic gain occurs only from what the extract from the churning process occurring in their system, i.e., the *financial markets*.

- The government "means", or resources, no matter the mandate, no matter the bilious cooing of your favorite politician or the burden they may place or assert upon the economic system, will never positively affect the "wealth creation" cycle, *ever*!

- There are two and *only* two ways the economic system *adapts* to government impositions: It slowly dies from exhaustion or it moves on to a more accommodating environment[7] leaving the empty shell of the once vibrant form to the memory of what once was!

"There is no wealth created in recalling past success, there is only lamenting the implied failure which accompanies their absence!"

7 Environment, in this instance, does not necessarily mean that it relocates. It can also mean that the system "morphs" into another form. It can become predatory, such as in the case of globalism, which is the most intrusive and the most visible.

In Volume I, the section entitled "The Policy of Economic Conflict and Selective Ideals," I presented several examples of the adaptive form of government. If you, the reader, have not yet read the rich treatise on the subject, I heartily recommend obtaining a copy for your permanent library. For the time being though, do give ample thought to the following:

Believing that government can modify the system to suit its ambition is to believe, serendipitously, that the law of economic balance does not universally apply (which it does). Holding to this belief simply provides, as a matter of certainty, government license to habitually violate this law and insure its enduring imposition and the lasting consequences of having provided both accommodations! *In this instance, as we see in our time, the system is, effectively, left to feed upon itself by holding to the belief that an ever-evolving form of government entitlement ascends to and position itself as a rightful and most righteous arbiter of economic success!*

"AND THEN, SOMETHING THAT ONCE WAS, ONCE ALTERED, HAS NOW BECOME SOMETHING ELSE!"

I can think of few references that better underscore the rudimentary elements of precision economic and monetary policy than the following:

"Let honesty and industry be thy constant companions, and spend one penny less than thy clear gains; then shall thy pocket begin to thrive; creditors will not insult, nor want oppress, nor hungerness bite, nor nakedness freeze thee." [8]

8 Benjamin Franklin

Mr. Franklin, as evidenced by his own words, understood the relationship of "wealth creation" to "wealth consumption" quite well. His statement illustrates that "spending" is not the same thing as "wealth creation" but only a *potential component* of an economically vibrant system: "Spend one penny less than thy clear gains." His words were deliberate and acutely intuitive! Depending on one's priority as to the function of "spending," the outcome could be at either end of the spectrum, i.e., productive or consumptive. In either case, he understood that whatever the outcome, the functional efficiency of the system was not the issue *but merely to be viewed as a tool whose use and application was ultimately at the discretion of the individual.* Whatever the outcome, it should NEVER be seen as an invitation for the government to assume that the functional efficiency of the system was enhanced by its practices in excess! Any person who draws a paycheck in exchange for his economic contribution to the system understands these principles quite easily; they've only to look at the various payroll withholdings which determine, ultimately, his or her "take-home" pay!

"Complicit in failure is an unsavory alliance of willing ignorance and its arbiter - hubris and indifference!"

What then is the role of government, if any, in the economy? A very good question and one that was addressed in *Volume I: We Hold These Truths.* For the time being, let us simply accept the historically relevant convention that the government's role/function is specifically "enumerated" *in* the Constitution. Unfortunately, the government has (and, I might add, aided by various Supreme Court decisions) selectively interpreted various provisions of the Constitution, most notably the "Commerce Clause,"[9] the "Necessary and Proper Clause"[10] and the "10th Amendment."[11] In each case, the results of which, were to the beneficial interests of selective "isms" and not unto the refining and perfecting of its construct!

"THERE ARE FEW, IF ANY EXAMPLES, WHERE LEGISLATIVE OR JUDICIAL ACTIONS FURTHER THE CAUSE OF PERFECTING INDIVIDUAL FREEDOM; HOWEVER THERE ARE COUNTLESS EXAMPLES WHERE THESE ACTIONS FURTHER THE CAUSE AND INTERESTS OF THOSE WHO FEAR THE BENEVOLENT FORCES OF FREEDOM!"

The Constitution often refers to its self-contained construct by using terms such as "enumerated herein" or "not delegated to" when speaking of rights, duties or obligations of the government or the limitation imposed thereto. It NEVER exposes, even remotely, a suggestion that the government may create rights unto itself! Though the government, with the aid of the Supreme Court, may assert the claim of this privilege as being implied, the prurient assertion of its existence is insufficient grounds to assert that it does. *Due to the nature and construct of the Constitution, it is imperative to understand yet another critical point: The absence of a restriction or strictly enumerated power does not imply or otherwise suggest that a government mandate exists*. In point of fact, the complete opposite is the case: ONLY those "enumerated powers" specify and relegate to the government those which *are* its "mandate!" Those not specified, as prescribed by the "10th Amendment," are "… reserved to the States respectively, or to the People" themselves.

9 Article 1, Section 8, Clause 3.

10 Article 1, Section 8, Clause 18.

11 States, simply and succinctly: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

Appendix: II

Sample *Q & A*

How would you describe the failure of capitalism?

Capitalism is only an ideal; it is inanimate, it is incapable of failing. If there is, as you put it, a failure, it has been only in our unwillingness to permit it to perform. We've only played with the idea – we've teased it but have never permitted the process to fully develop.

What would be your suggestions for dealing with the debt assumed by the federal government?

Solution? Write it off! There is no solution to the financial mess and continuing to shovel money at it will not create a cure! The systemic consequences are largely confined to the financial institutions and for this reason I believe that the impact from vaporizing select types of debt will also be confined to this segment. Yes, the progressive ideologues are correct, and the system does needs to be replaced – only I differ in the approach. The most lasting solutions rest in sovereign state actions and not global state-ism. Quick and surgical movement directed at the "native economy" will stir results and soften the impact. The U.S. financial system needs to be restored to a market-based system and confined to functioning within it.