

Money—What It Is and How to Get It

E. B. Stoneham, Ph. D.

17 July 2010

MONEY—WHAT IT IS AND HOW TO GET IT	3
WHAT IS MONEY?	3
WHY DOES MONEY SOMETIMES NOT WORK CORRECTLY?	5
WHERE DOES MONEY COME FROM?	7
HOW DO YOU GET IT?	7
WHAT’S THE BIG DEAL ABOUT INVESTING?	9
IS MONEY THE ROOT OF ALL EVIL?	10
WHO IS AGAINST MONEY AND FREE ENTERPRISE?	10
WHAT DETERMINES WEALTH?	11
HOW TO MAXIMIZE YOUR NATION’S WEALTH	12
HOW TO HELP THE POOR	12
MONEY AND DEMOCRACY	13
THE GOVERNMENT’S ROLE	13
CONCLUSION	14

Money—What It Is and How to Get It

E. B. Stoneham, Ph. D.

Given the uncertainty in the current economic situation, now is a good time to get a dose of wisdom and some guidance on how to deal with reality. Here is some knowledge that can be extremely helpful.

When it comes to money, many people are fooled from time to time, and some are fooled almost all of the time. We are fooled by hucksters, salespeople, con artists, teachers, preachers, lawyers, and politicians. To avoid this it is important to know a few facts about money. We know some of these facts instinctively, but here you will understand why they are true and you will end up knowing a great deal about money and how to make it. You will know more than any of our congress people, more than your teachers, more than almost all of your friends, and, in fact, more than any socialist economist.

Let's get right to it. Here are the answers to the most important questions.

What is Money?

Long before the beginning of human history, there was no trade. Everyone had to hunt, gather, make, or steal everything he or she needed to survive. Once people began to share and trade with each other, each individual could specialize somewhat and no longer had to be a jack-of-all-trades. But memories are short, so people invented the IOU (I owe you), a note from Barney to Fred saying that later he would give Fred that goat he owed him in exchange for the berries Fred had given him. The IOU made it possible for barter exchanges to occur over significant stretches of times so that Fred could give Barney the berries that are ripe now and then collect the goat when it is ready and hopefully when it is needed. The only problem is that collecting a goat from Barney would be about the only type of compensation Fred could get. To get a pet crocodile, he would have to arrange a separate trade with someone who specializes in crocodiles, and that person would not be Barney. Also, Fred might not even be able to collect the goat if Barney should leave the area, go out of business, or die.

Then along came money, one of humanity's greatest inventions. People agreed upon a monetary medium in the form of shells, coins, paper notes, etc., and used this money in place of IOUs. Now Fred could use the money from the sale of his berries to buy anything from anyone at any time. He was no longer restricted to the one option of waiting for Barney's goat. What

freedom! This money outclassed IOUs, because each bit of money was a POU (people owe you). The money basically certified that the bearer had done something of value for someone else and was entitled to receive goods or services of comparable value from other people in general.

Money thus became a measure of the value of what a person does for other people. If a person is willing to do something for others in exchange for X amount of money, and if others are willing to pay X amount of money for what this person does, then X is the value of what that person does. In fact, ever since money was invented, money has been the truest measure of the value of what one person does for others. If people are willing to pay more for a haircut than for a pound of grapes, then the value of what the barber does in giving the haircut is greater than the value of the labor that went into growing and distributing the pound of grapes. Plenty of people are willing to do what it takes to grow and stock a pound of grapes for four dollars, but not enough people are willing to gain the skills, obtain the resources, and do the work necessary to give a quality haircut for four dollars. The labor required to provide the haircut is valued more than the labor required to provide a pound of grapes.

It should be noted that the value of a *good* (something that takes human effort to make and provide and that is regularly traded) is equal to the total value of the labor that is required to make and provide the good. A good has no intrinsic value. Generally, you are not going to pay \$1000 per ounce for gold if you or others can go dig it up and refine it with less effort than it takes to make \$1000 at other endeavors. In other words, gold hiding in the ground has no value. Only when people put in the effort to find it, dig it up, refine it, and market it does it gain value.

Does air have value? Certainly, if all breathable air were to suddenly disappear, then a small amount would be infinitely valuable. But, when it is plentiful enough that no one has to do anything to get it, the portion that you breathe has no special value compared to other things. It's just there.

What about land? Like everything else, land starts out valueless until it is discovered, claimed, bounded, documented, settled, etc. (Ask your friends how much they are willing to pay for an acre of land on Pluto.) Land gains in value as people make roads to it or put airports on it to make it reachable, and as they improve it (as for farming) or as more people settle around it making its usefulness more valuable due to the proximity of the market.

Because its value may increase over time, and because it can be used productively, land is usually classed as an investment rather than a good. However, the distinction is arbitrary, because all goods are used to produce

something, if nothing more than pleasure, and because land, like all other goods, has a limited life—eventually being submerged under an ocean or swallowed by the sun. The same applies to all other items typically classed as investments. To arbitrarily classify some things as goods and other things as investments is to second-guess what people consider to be productivity enhancers. If a person buys a boat to use for recreation, who is to say that the enjoyment, the rejuvenation, the motivation to keep living, the entertainment value, and everything else that the boat offers him/her are any less conducive to productivity than is a piece of land of equivalent price? Everything we do is an investment in our lives, with the potential to make us more productive.

Besides the value of the labor in a good, there is one additional parameter affecting the good's value: property rights. What you are paying for when you buy a good is the right to possess and use the product of labor for your own purposes. If there are restrictions on how you can use the good, the good is no longer so valuable to you. For example, if you buy a plot of land knowing that zoning ordinances prevent building on it, and you find that environmental regulations prevent farming on it, and you discover that a previous owner retains the mineral rights, this plot of land will be much less valuable to you than it would have been if you were to actually own the property rights.

To summarize: money, one of humankind's greatest inventions, is a POU that measures better than anything else how much the bearer should be awarded by others for what he/she has done for people. How much people are willing to pay for a good or an investment (two aspects of the same thing) is the truest indicator of its value.

Why Does Money Sometimes Not Work Correctly?

Money is greater than sliced bread when it works as intended. If you are astute, however, you will note that money does not always work as a measure of value. When criminals or governments (do I repeat myself?) cause money to change hands against people's wills, it is no longer correctly measuring value. For example, in a socialist system in which the government taxes the richest 30% in order to transfer way too much money to the least wealthy 70% (a majority of the voters), the people being taxed are not receiving the correct value for their money. In other words, the safety net that the government provides as a service may have much lower value (or even negative value) compared to what the taxpayers could have provided on their own with much less money. And, regarding crime, when a criminal steals something, he/she gets something of value from the victim, but the victim

receives no POUs in exchange. Government and criminals alike act as corrupting influences that can keep money from working properly.

There is another thing that can make money less effective as a measure of value: mismanagement of the monetary system. When a government keeps adding to the money supply, causing inflation, it gets money for nothing, while everyone else's money decreases in value. Inflation and deflation make money less reliable as a measure of value, and people are sometimes forced to go back to commodity trading and IOUs instead of POUs.

The government can mess things up in other ways, as well. By putting restrictions on the use of property, it takes away (without paying for it) some of the owner's property rights and thereby reduces the property's value. The legal owner can no longer sell the property for as much money.

Another distortion that government introduces is the granting of special privileges to favored people. It does this through licensing, patents, subsidies, etc.

Large corporations and monopolies are often blamed for distorting values, but they get far more bad press than they deserve. A monopoly can jerk prices around a tiny bit, but without government help it can't go very far with this behavior before triggering severe competition or encouraging the development of products that circumvent the monopoly's business. Railroads, utilities, phone companies, etc., would not have been able to exercise monopolistic distortions for long had government not granted them exclusive privileges. Once Ma Bell's exclusive government-granted monopoly privileges were taken away, for example, it did not take long for fiber optics competitors like Qwest and wireless providers like Sprint to come in with competitive alternatives.

As you can see, there are a number of ways in which that wonderful invention called money can be corrupted, and government is behind most of them.

Knowing this, we must qualify our answer to the question, "What is money?". *Except when corrupted by criminals or their counterparts in government*, money is a POU medium. It represents what people are willing to give you in return for the valuable things that you have done for them; it is a credit entitling you to receive goods and services of equal value from others; and, it is the most truthful indicator of value.

Where Does Money Come From?

Money doesn't grow on trees, it isn't handed out for free by the government, and, unlike what you may have experienced in your "mini-economy" training in elementary school, it is not issued as an entitlement by a central bank. It is coined or printed in a mint, but, in the absence of government corruption, it is issued by the mint only in exchange for other money or in exchange for obligations of equal value.

Money comes from people. Specifically, except when corrupted by government or criminals, money comes to you from the people you benefit. If you work for a company, the money comes from your boss in exchange for what you do for the company. If you own your own business, it comes from the customers in exchange for what your business provides them. If you are part of a non-profit organization, it comes from donors who want to see you and your organization continue to provide its services. If the money comes to you from your parents, it is in exchange for the fact that you carry their spirit and their heredity; you are their immortality. If you win the lottery, the money comes from other gamblers who enjoy playing the game and want someone to win, giving assurance that they, too, have a chance to win. If the money comes from a charitable organization, it comes from people who value seeing you do better in the face of challenges and who want proof from you that there is a safety net. **In short, money comes from people who value what you do for them.**

How Do You Get It?

There are two ways to get money: the corrupt way and the honest way.

The corrupt way would be either to engage in criminal behavior or to secure special favors from the government. In the case of crime you force people to transfer money to you against their wills or through deceit. Given the lax and convoluted justice system in the U. S. A., this method actually pays off up to a certain level, if you don't mind being ostracized. To get big money, though, with acceptable risk, you have to go the government route. This involves getting chummy with or bribing government officials who have the power to grant special privileges to you against the interests of your competitors and the general population. For instance, you can curry favor with city council members to have your real estate zoned for business or for high-density housing in a neighborhood that has heretofore preserved its value by not allowing such use. If you are a big auto maker, you can influence government regulators to require just enough crash testing of new automobiles to make it too expensive for startup companies to compete with

you, thereby preserving your oligopolistic profit-making potential. If you are a giant labor union organization like the AFL-CIO, you can put lots of money into your representatives' campaign coffers in order to convince government officials to turn a blind eye toward the fact that you are a monopoly subject to anti-trust legislation. If you are engaged in the production of ethanol from corn, you can lobby for and get huge government subsidies for “green” energy even though you are using more energy (from non-green sources) than you produce. As long as government is big, you can make big money through corruption. And, of course, if you are good enough at deceiving people, you can get elected or appointed to government positions that get you lots of perks or bribes. So, there are infinitely many corrupt ways to make money if you don't mind being a parasite.

But the corrupt way can be short-lived and stressful, and most people who find out what you are doing will hate your guts. Indeed, as people—by reading this article—become more educated about the corruption of money, they will begin to clamp down on corruption and big government as never before and will hopefully make life extremely miserable for cheaters.

The more satisfying and secure way to get money is the honest way. This way is simple. You just do something for people that they find valuable and require that they give you money in exchange. To make the most money you have to find out what you in particular can do for certain people that those people will find most valuable, and then you need to develop your ability to provide more value to more and more people. Employing and training others to do more of the same kind of thing can be one way to provide more value to more people. Ultimately, this can mean either starting your own enterprise or starting your own department within an existing enterprise.

How do you require that people give you money in exchange for the value you provide them? You either make an agreement up front (which legally is a contract enforceable by law), or you do some work first and make it clear that you will stop providing this value unless you are paid for it. To protect against being cheated or disappointed you should: 1) check the reputations of the people you are dealing with, 2) be sure that what you are doing provides value as others perceive it, 3) make your agreements clear and complete so that they are enforceable by law, and 4) don't promise anything that you can't deliver (don't commit fraud).

How do you get started if no one will offer you a job? First of all, don't sit around waiting for the golden opportunity. Figure out what you are interested in and what you do best that should be of value to certain people; then go to these people and offer it for free. Call it education. You can even offer to give part of your welfare check in exchange for the training. Once you

have proven yourself and demonstrated trustworthiness, you can ask for money to keep doing it. Or, if the golden opportunity comes along with someone else, you can pick the highest bidder.

If none of this gets you anywhere, and if it is not because you are untrustworthy or because you are choosing untrustworthy customers, then what you are offering is not valuable to the people to whom you are offering it. If you are hopelessly lacking in skill and capability for the kind of work you have been doing, consider doing things of value that other people consider too grueling or too risky. With minimal training you can make a decent living participating in the cleanup and care of incontinent elderly patients in assisted living facilities, for example. But, whatever you do will lead to additional opportunities.

Most important is to develop a good reputation. Honesty, trustworthiness, courtesy, initiative, promptness, and effort are all part of this. There is nothing new here.

What's the Big Deal About Investing?

It seems that some of the wealthiest people in our society are investors like Warren Buffet or like bankers and venture capitalists or real estate speculators. What are these people doing that has any value? It's simple: If you let other people borrow money that you have saved up (instead of using it yourself), you are providing something of value. People who are making things or providing services frequently need to use money to buy the tools, buildings, etc., that they need ahead of time. They would like to borrow the money and pay it back once what they are doing makes a profit. In exchange for the use of the money they will pay interest, or they will give you some share in the ownership—and the profits. The interest or profit sharing compensates you for the risk you take in loaning the money and makes up for whatever you are losing by not using the money yourself. The higher the risk is, the higher the average return is, because risk is irritating and people who take more risk deserve more compensation.

Anyone can do it. By saving and investing money in stocks, bonds, venture capital funds, or other instruments, you can make more money. In fact, if you just pick stocks at random and hang on to them, you stand to come out with around an 8% real annual return over the long (time-averaged) haul. That doubles your money every nine years. Your money increases to 16 times its original value in 36 years. To become wealthy all you have to do is save and invest at least 20% of your income: the more the better. There's no need to be jealous of others. Anyone can become wealthy.

Of course, there is risk in investments. There are times when a particular investment won't pay back at all, and there are times when stocks go down as much as 75% or when bonds go bust. But this risk is what you as an investor are being paid for. If you can't take the heat, you have no right to envy those who can. To minimize your risk, you can diversify (invest in many different kinds of investments with the expectation that they won't all go bad together), and you can invest for the long term, averaging the variations over time. Also, you need to make your own decisions. Whoever makes the decisions will get most of the profit. And, you need to deal with people and entities that are subject to tight law enforcement—because you don't want the added risk of being ripped off. (Please note that Fannie Mae and Freddy Mac were not subject to tight enforcement—they were supported by their bribed government officials to play fast and loose: like Enron.)

Is Money the Root of All Evil?

No. It is one of humankind's greatest inventions. It is the corruption of this invention that is the root of most evil. And, as we have seen, the corruption is due primarily to unwarranted government interference in the private sector and to lack of enforcement by government of laws against theft, fraud, physical coercion, and other impediments to free enterprise. Instead of spending all of their time figuring out how to sneak in more taxes and how to regulate more aspects of enterprise, government should be constrained to enforcing the basic laws that say, "If you cost, you pay." Anyone convicted of theft or fraud, for instance, should be forced to pay for the losses they have inflicted on others, plus their share of the losses inflicted by similar criminals who were not caught and convicted, plus their share of the costs of enforcing and adjudicating the laws they have violated. The government should also be prevented by the constitution from engaging in licensing, subsidies, and other favoritism. We should leave it to the private sector to provide certifications [like United Laboratories (UL) approval, American Automobile Association (AAA) ratings, and ValueStar recommendations] and to pony up its own subsidies.

Who is Against Money and Free Enterprise?

There is lately a growing group of people who are trying to fool everyone into thinking that money is bad and that free enterprise ("capitalism") is unfair. Who are they? They are the people whose greed and desire for power and perks exceed what they are willing or able to provide in value to other people. They are the parasites on our society. They are the ones who are jealous of

the people who work hard, take risks, make sacrifices, and become wealthy; yet, they are unwilling to study hard, endure derision by their peers, forego time-consuming pleasures, put off romantic and child-rearing activities, curtail spending in favor of investing, or take risks. They are the politicians who try to do with their mouths what they should be doing with their hands. They are the idiots who spend hours in front of a TV set when they could be doing something more productive. These deriders of capitalism deserve no pity, and their put-downs of money and free enterprise are nothing more than attempts to shake down the hard-working and the successful to get them to provide more assistance to the undeserving. Unfortunately, the jealous detractors of money have managed through their propaganda, intimidation, and political tactics to greatly distort what would otherwise be our most truthful and democratic value measurement system. What else can one conclude when 25% of all income earners end up paying more than 85% of the taxes? (See <http://www.rushlimbaugh.com>.) This is grossly unfair. Everyone protected by the government should be paying the same dues, as was set out originally in the *United States Constitution* (Article I, Section 2, Clause 3; Article I, Section 8, Clause 1; and Article I, Section 9, Clause 4).

What Determines Wealth?

Money is a measure of value. It is a measure of the value of what people do with their time and efforts. Wealth is the cumulation of this value. The more people do that is of value and the better they preserve the value of what they have done, the wealthier they become. Wealth is created.

There are many people who are under the mistaken impression that wealth is a limited quantity—like land. But wealth takes many forms—money, business ownership, education, cars, computers, capital equipment, and buildings to name a few—and the quantities are limited only by the labor required to create them. Those who say that wealth is a limited commodity are usually the ones who are trying to fool people into thinking that the more the wealthy have the less the poor have. Limited wealth is the picture painted by communists and other class warriors who seek to gain undeserved power by convincing people that an unequal distribution of wealth is unfair. They want to force those who have earned their wealth to give it to those who have not: particularly to those who support the class warrior. **Taking wealth away from those who have earned it is what is truly unfair.**

So what determines wealth? Answer: productivity and preservation—how well people use their time to create value and how well they save what they have produced. **As a society you cannot have more than you make.**

How to Maximize Your Nation's Wealth

It should be obvious from the above that the way to maximize the nation's wealth is to 1) incentivize people to do valuable things with their time, 2) to keep government and other impediments out of their way as much as possible, and 3) to encourage people to save and preserve what they have created. You do this by making sure that people who create value get to keep the rewards while people who steal or who deliberately waste time suffer the consequences. The bigger the difference is between the rewards of being productive and the consequences of being a parasite, the more people will seek the former and avoid the latter. For example, two centuries ago, when the U. S. had no public welfare system, no "progressive" income tax, and limited government interference, the U. S. grew in wealth faster than did any other nation. In fact, the U. S. was able to buy the Louisiana Territory and Alaska from other nations that were not doing so well. (Try that in today's world. It's expensive!) It was this growth that made the people—from richest to poorest—better off than their counterparts in other parts of the world.

You must also minimize the number of people who are not creating value. People who are pushing paper at the IRS and other government offices, accountants dealing with complex tax laws and government regulations like the Sarbanes-Oxley regulations that punish the innocent, and lawyers pushing frivolous lawsuits impairing the obligation of contracts are just a few examples. Currently, only half of the able-bodied population is creating wealth. If those who are not creating wealth right now were to move into productive private-sector positions, our standard of living would double overnight. If this had been done one or two decades ago, our standard of living could be quadruple what it is now, since technological development would have gone much faster. A higher standard of living would mean a cleaner environment and a much better life for all of us. Malicious governance and the lack of constitutional constraint have been such an unnecessary disaster. There is so much to be gained by correcting it.

How to Help the Poor

- 1) Maximize the nation's wealth as explained above.
- 2) Help only those who deserve it. Concentrate the assistance on those who really need it. This means taking welfare distribution out of the hands of the government. The government uses half of the money to pay its bureaucracy and gives out what is left on the basis of how many

- votes it will buy. Too much of what is distributed by the government goes to cheaters, criminals, parasites, and people who live meekly by choice. It should go to the people who deserve, need, and want the assistance. A welfare system far more efficient and effective than what we have now is described at <http://www.recapturefreedom.com>, and it can be implemented with a single amendment to the *Constitution*.
- 3) Get out of the way of people who are trying to work their way out of poverty. Get rid of zoning ordinances that keep people from living where they work or working where they live. Get rid of building codes that force dwellings to be safer than what the poor can afford. Get rid of licensing, accounting requirements, tax complications, and legal traps that make it difficult for poor people to start their own businesses. Get rid of minimum wage laws, 40-hour work weeks, etc., that make it uneconomical to provide on-the-job training or to compensate those who work harder than others. It's all of these regulations designed by the elites to keep their worlds clean that are keeping the poor poor.
 - 4) Put more resources into enforcing laws against theft, violence, and fraud. These crimes affect the poor disproportionately. The criminals must be **forced to pay** the costs of their crimes.

Money and Democracy

Money is the ultimate instrument of democracy. No one in his right mind gives money to another person unless he/she correspondingly values what the result of giving that money will produce. Every dollar that is spent is a vote in favor of whatever it was spent on. We vote with our money, and the money doesn't lie.

The votes we cast every day with our money are the result of careful evaluation and decision: more careful than the votes we cast in elections. Our monetary votes evaluate things with a collective intelligence orders of magnitude greater than that of any politician or any congress or any committee of even the most accredited scholars.

The Government's Role

The best thing the government can do is to provide for a stable monetary unit, with minimal inflation or deflation, and to allow people to vote freely with their money. For this to happen, the government has to prevent

criminals inside and invaders from outside from affecting the free flow of money. In other words, it has to enforce the laws and defend the nation. The government must also prevent itself from meddling any more than necessary in the free flow of votes in the form of money. But, government, which naturally attracts to its ranks people who want to control things, can be kept from meddling only by a constitution that is enforced by the private sector. The constitution must truly be the law of the land. Some people are devising means by which this can be brought about, such as a Supreme Law Amendment that would eliminate sovereign immunity and subject constitutional lawbreakers to the same justice system that the rest of us face.

Conclusion

If you have read this carefully and absorbed it, you now know more about the important aspects of economics than does anyone currently in government, and more than any of the serious candidates for government office knows. You are a lot smarter than the politicians would have you believe.