

HOW AN ECONOMY GROWS *and* WHY IT DOESN'T

by IRWIN A. SCHIFF



With wit and humour Schiff explains:

- 1. The roots of economic growth.**
- 2. The economic benefits of underconsumption.**
- 3. Where savings come from.**
- 4. Why economic growth is dependant on savings.**
- 5. How consumer spending stifels economic growth.**
- 6. How capital is created.**
- 7. How governments destroy capital.**
- 8. The four uses of capital.**
- 9. How capital benefits even those who don't have any.**
- 10. The destructive nature of consumer credit.**
- 11. How free enterprise forces capitalists, no matter how mean and greedy, to benefit society, if they want to get richer.**
- 12. Why government can not expand credit.**
- 13. How the federal government loots society's limited store of savings.**
- 14. How the Federal Reserve operates as the U.S. Government's partner in crime.**
- 15. Where inflation comes from and why prices go up.**
- 16. How the government creates unemployment.**
- 17. The myth of government "jobs" programs.**
- 18. Why most politicians are deceivers. (this of course will not be news to many, but this book will allow you to cite chapter and verse.)**
- 19. How the U.S. government destroys America's ability to produce.**
- 20. Plus a whole lot more!**

HOW AN ECONOMY GROWS *and* WHY IT DOESN'T



by **IRWIN A. SCHIFF**
Art by **VIC LOCKMAN**

BOOKS BY IRWIN SCHIFF

The Great Income Tax Hoax

How An Economy Grows and Why It Doesn't

**The Social Security Swindle — How Anyone Can Drop
Out**

How Anyone Can Stop Paying Income Taxes

The Kingdom of Moltz

The Biggest Con: How The Government Is Fleecing You

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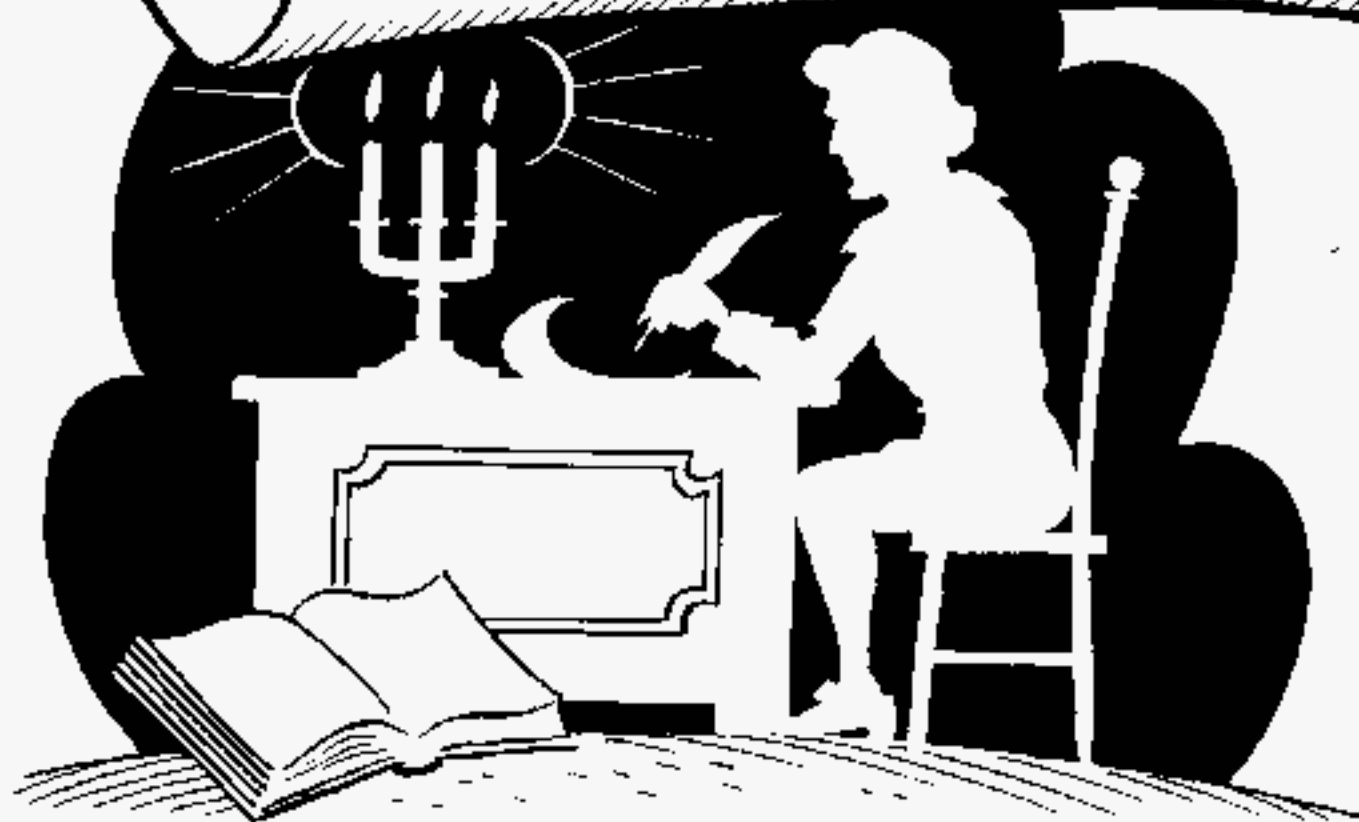
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*Dedicated to
Adam Smith,
who, in his book
"Wealth of Nations" 1776,
laid a foundation for the
science of economics
which is in sharp contrast
to the voodoo economics
now being preached in
this nation's capitol.*



Irwin A. Schiff was born in New Haven, Connecticut in 1928, and is a graduate of the University of Connecticut, where he majored in economics and accounting. After serving in the Army Finance Corp, he entered the life insurance field. He earned a C.L.U. degree in 1958, opened his own agency in 1960, and became a licensed (N.A.S.D.) securities salesman in 1962. His extensive business and financial dealings afforded him ample opportunity to view first hand the distortions, the inefficiencies and the hardships caused by government regulation, taxation, and economic interference.



In 1968, he testified before the Supreme Committee on Banking and Currency opposing removal of gold backing from U.S. currency. His testimony while diametrically opposed to that of all government witnesses, proved to be dead right, while those of government "experts" proved to be dead wrong.

Growing increasingly fearful that irresponsible policies pursued by Washington politicians could only lead to economic and social disaster, he decided, in 1974, to write a book explaining why and offering solutions to prevent it.

That book, entitled *The Biggest Con: How the Government is Fleecing You*, contains the original narrative from which *How An Economy Grows and Why It Doesn't* was taken. For a more indepth, academic treatment of how the U.S. Government creates such things as inflation, unemployment, poverty and crime and how it can destroy an economic system, read *The Biggest Con*.

HOW *an* ECONOMY GROWS

ONCE UPON AN ISLAND
LIVED THREE MEN
WHO FISHED FOR FOOD
EVERY DAY...

A FISH STORY

I'M
ABLE!

I'M
BAKER!

AND I'M
CHARLIE!



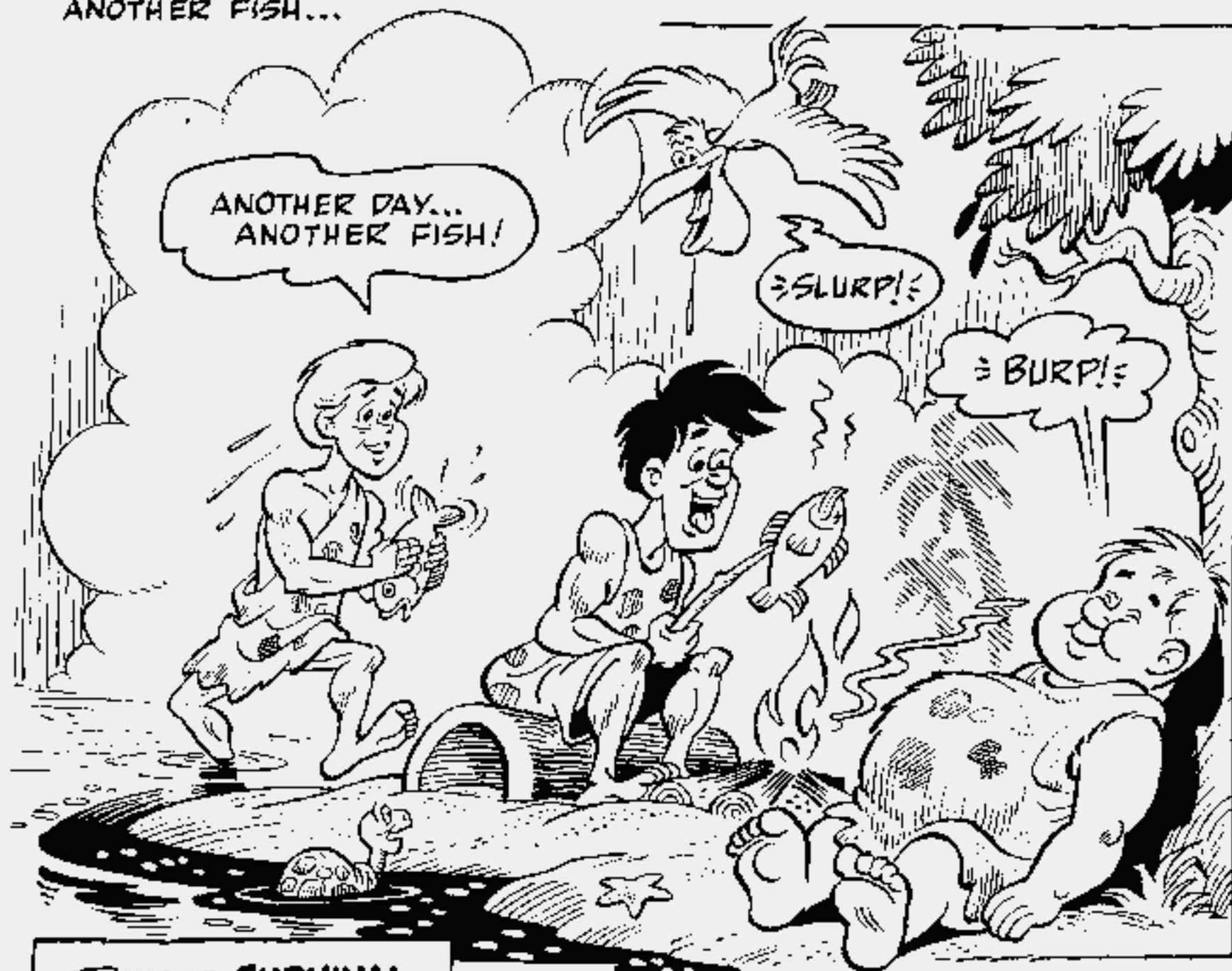
UGH! FISHING **BY HAND**
IS NO BUCKET OF BASS!

IT'S HARDER
THAN EATING
SOUP WITH
A FORK!

BUT AFTER MUCH
TROUBLE THEY
EACH MANAGED
TO CATCH **ONE**
FISH PER DAY...



-2-
AND EVERY DAY ABLE, BAKER AND CHARLIE CONSUMED THE FISH EACH HAD CAUGHT, ENABLING THEM TO SURVIVE TO THE NEXT DAY TO CATCH ANOTHER FISH...



THIS IS SURVIVAL,
AND THAT'S ABOUT
ALL...

AND SO, IN THIS SUPER SIMPLE
ISLAND SOCIETY THERE ARE...



EVERYTHING THAT IS PRODUCED IS CONSUMED!

ONE NIGHT, LOOKING UP INTO THE STAR-STUDDED SKY, ABLE IS STRUCK BY A THOUGHT...

THERE MUST BE MORE TO LIFE THAN CATCH, EAT AND CATCH!

THERE IS!

HIS THINK-BOX STARTED GRINDING...

AND THE IDEA FOR A FISH-CATCHER IS BORN...

SO, THE NEXT DAY...

I'LL CALL IT A NET!

I NEED NET MATERIALS!

WHAT?! YOU'RE NOT GOING FISHING TODAY, ABLE!

YOU'LL GO HUNGRY!

ABLE IS
LIVING
OUT A
FEW VERY
BASIC
ECONOMIC
PRINCIPLES
IN ORDER
TO
IMPROVE
HIS WAY
OF
LIFE...

HE IS UNDERCONSUMING *and* HE IS
TAKING A RISK!

I'M
GIVING UP
SOMETHING
...EATING!

IT MIGHT
NOT
EVEN WORK!

GROWL!

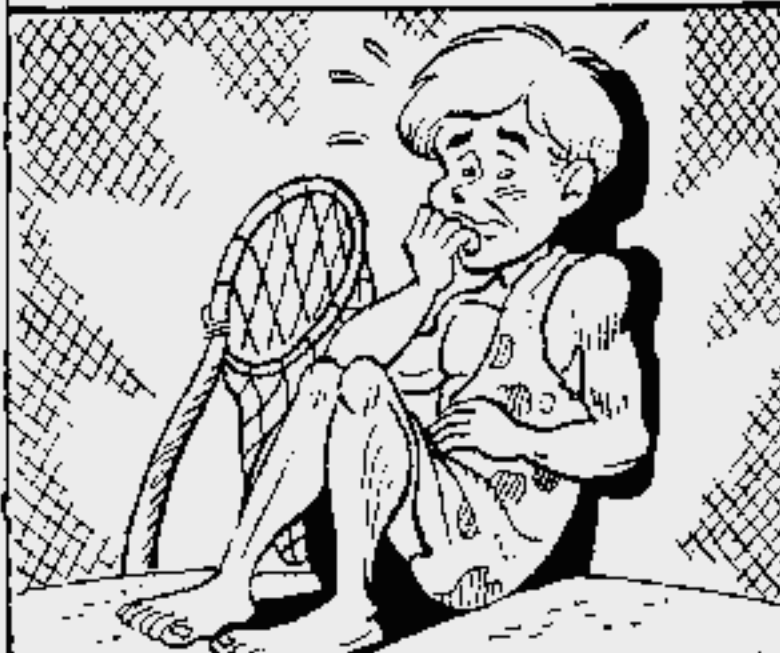
AT DAY'S END
ABLE HAS
COMPLETED HIS
NET! HE HAS
**CREATED
CAPITAL**
THROUGH HIS
**SELF
SACRIFICE!**

WHEW!

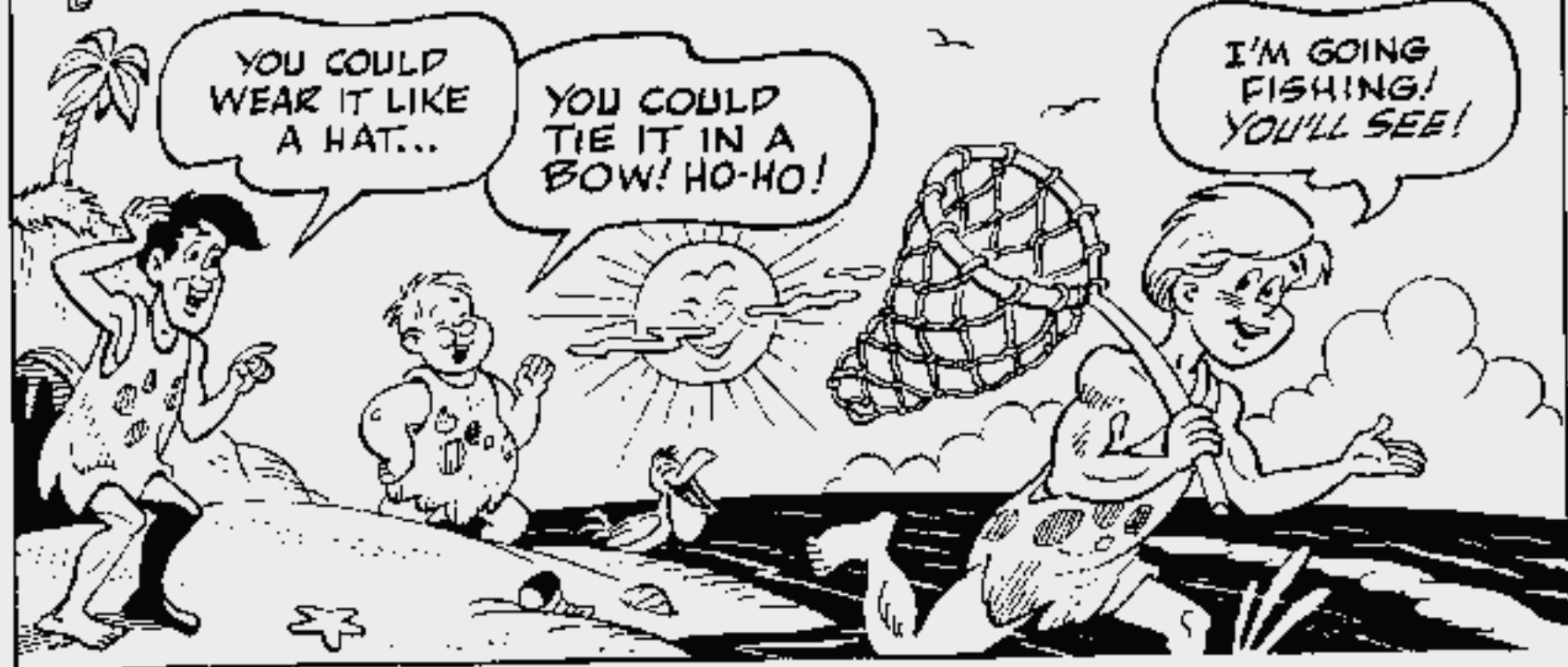
HIS FRIENDS SNOOZE CONTENTEDLY
TOWARD A NEW DAY OF HAND
FISHING...



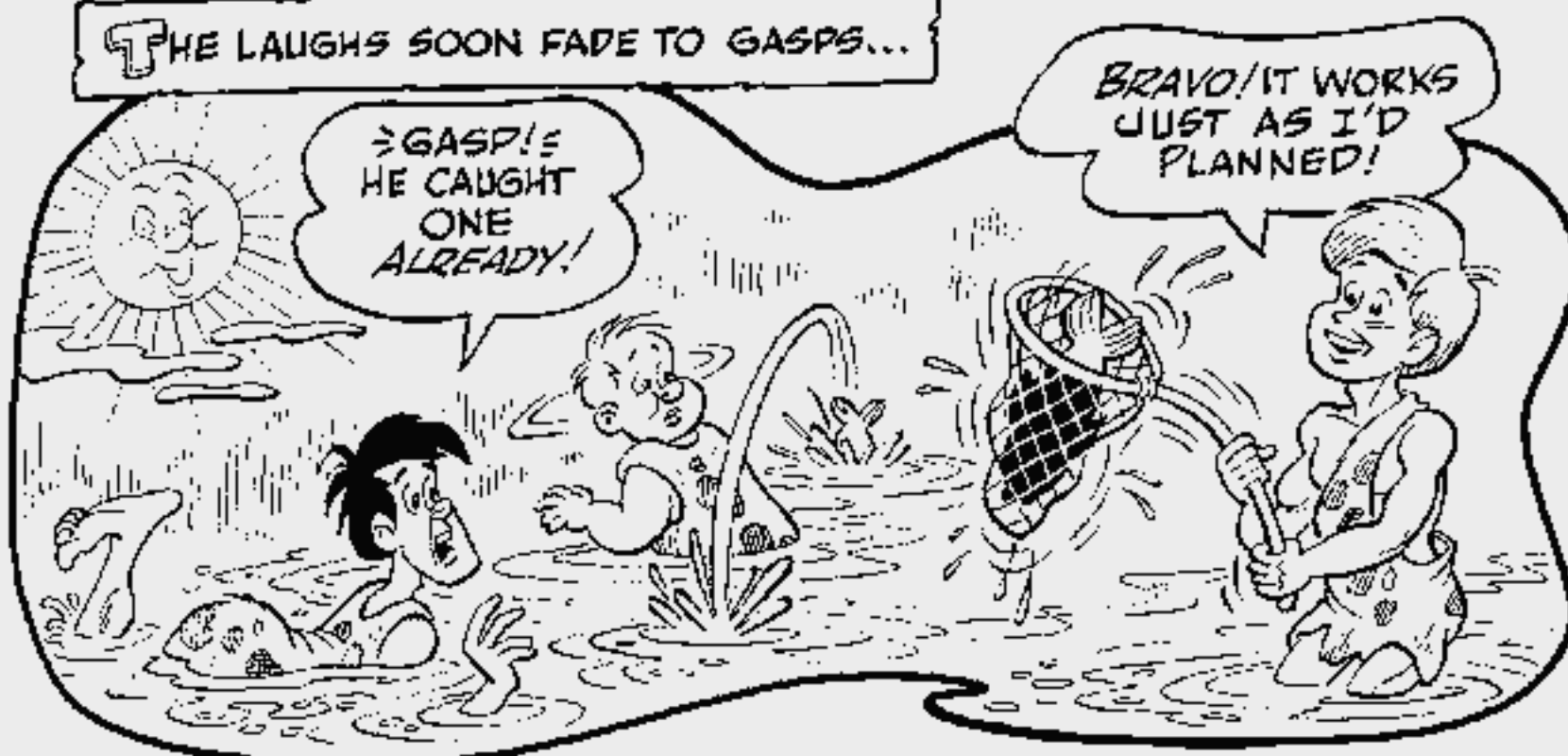
WHILE
ABLE
CAN'T
SLEEP
FOR
HUNGER
AND
WORRY
ABOUT
HIS
**RISK
TAKING
EXPERI-
MENT...**



THE NEXT DAY BAKER AND CHARLIE MAKE MUCH SPORT OF ABLE'S INVENTION



THE LAUGHS SOON FADE TO GASPS...



AND BY DAY'S END ABLE HAS CAUGHT 2 FISH ...BAKER AND CHARLIE EACH THE USUAL



-6-

ABLE'S SAVINGS CREATE CAPITAL

SINCE THE ISLAND SOCIETY HAD NO STORE OF SAVINGS THE ISLAND'S FIRST PIECE OF **CAPITAL EQUIPMENT** WAS DERIVED SOLELY FROM ABLE'S WILLINGNESS TO DENY HIMSELF FOOD FOR **1 DAY!**

NOW I DON'T HAVE TO SPEND EVERY DAY **FISHING!**

NOW I HAVE TIME TO BUILD A BETTER SHELTER, MAKE TOOLS AND TILL THE SOIL!

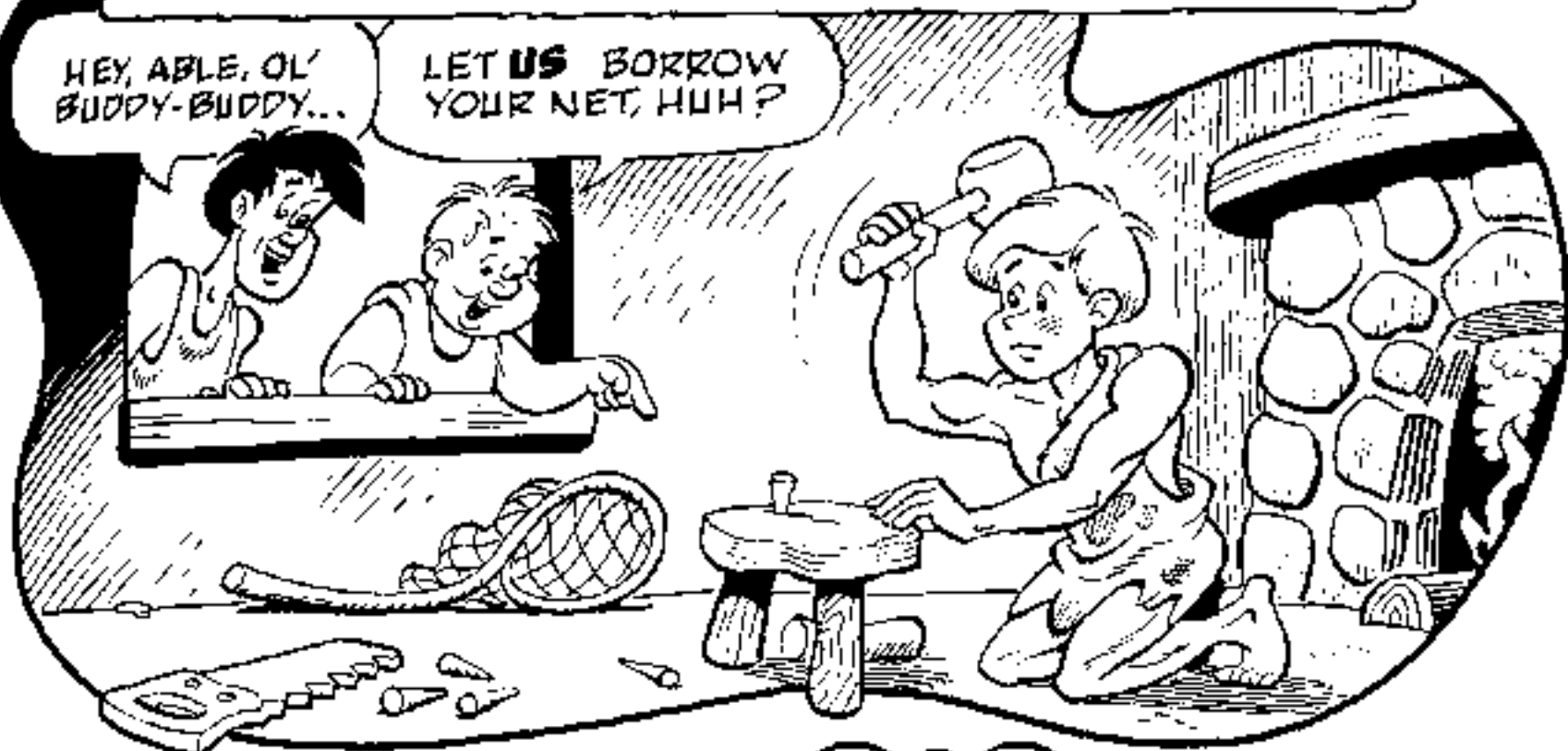


WITHOUT A SUPPLY OF SAVINGS (CAPITAL) AN ECONOMY CANNOT GROW!

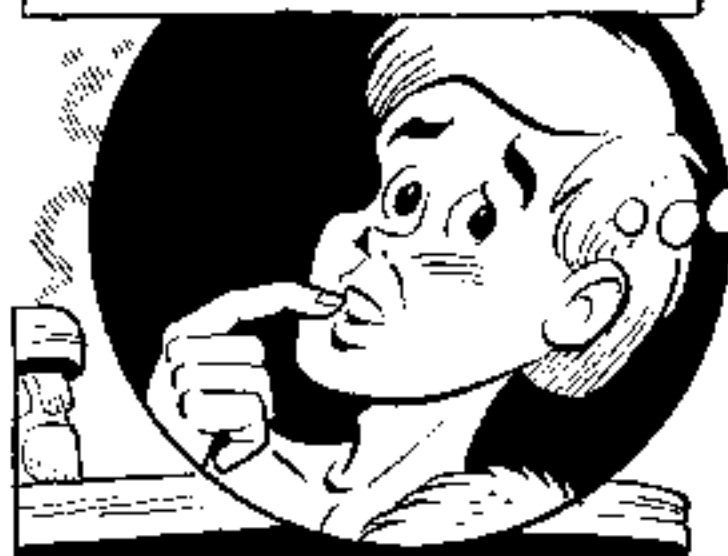
BAKER AND CHARLIE SOON REALIZE THAT THEY TOO COULD BENEFIT FROM ABLE'S NET... HIS **CAPITAL!**

HEY, ABLE, OL' BUDDY-BUDDY...

LET **US** BORROW YOUR NET, HUH?



BUT ABLE IS NOBODY'S FOOL! HE REMEMBERS HIS SELF SACRIFICE...



HUNGER...

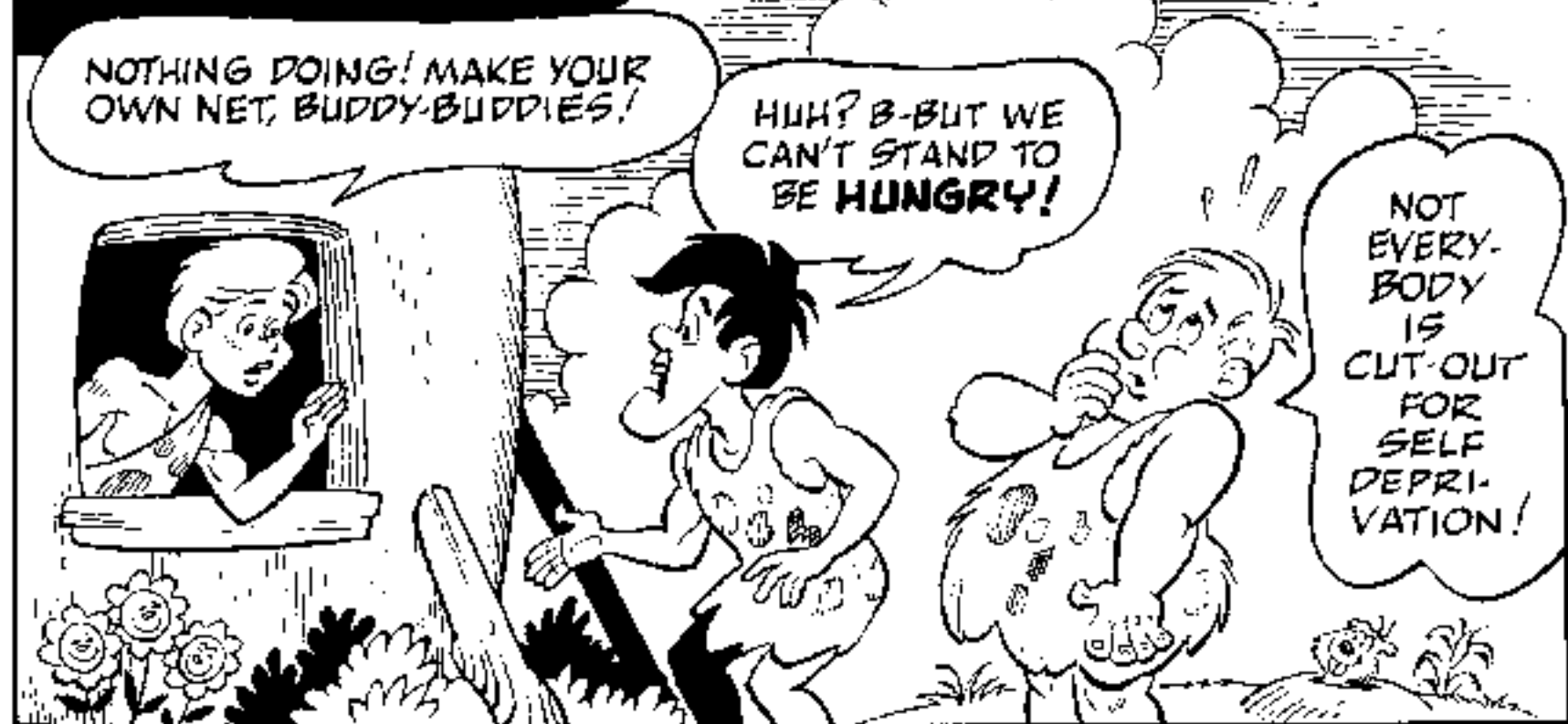
...RISK!

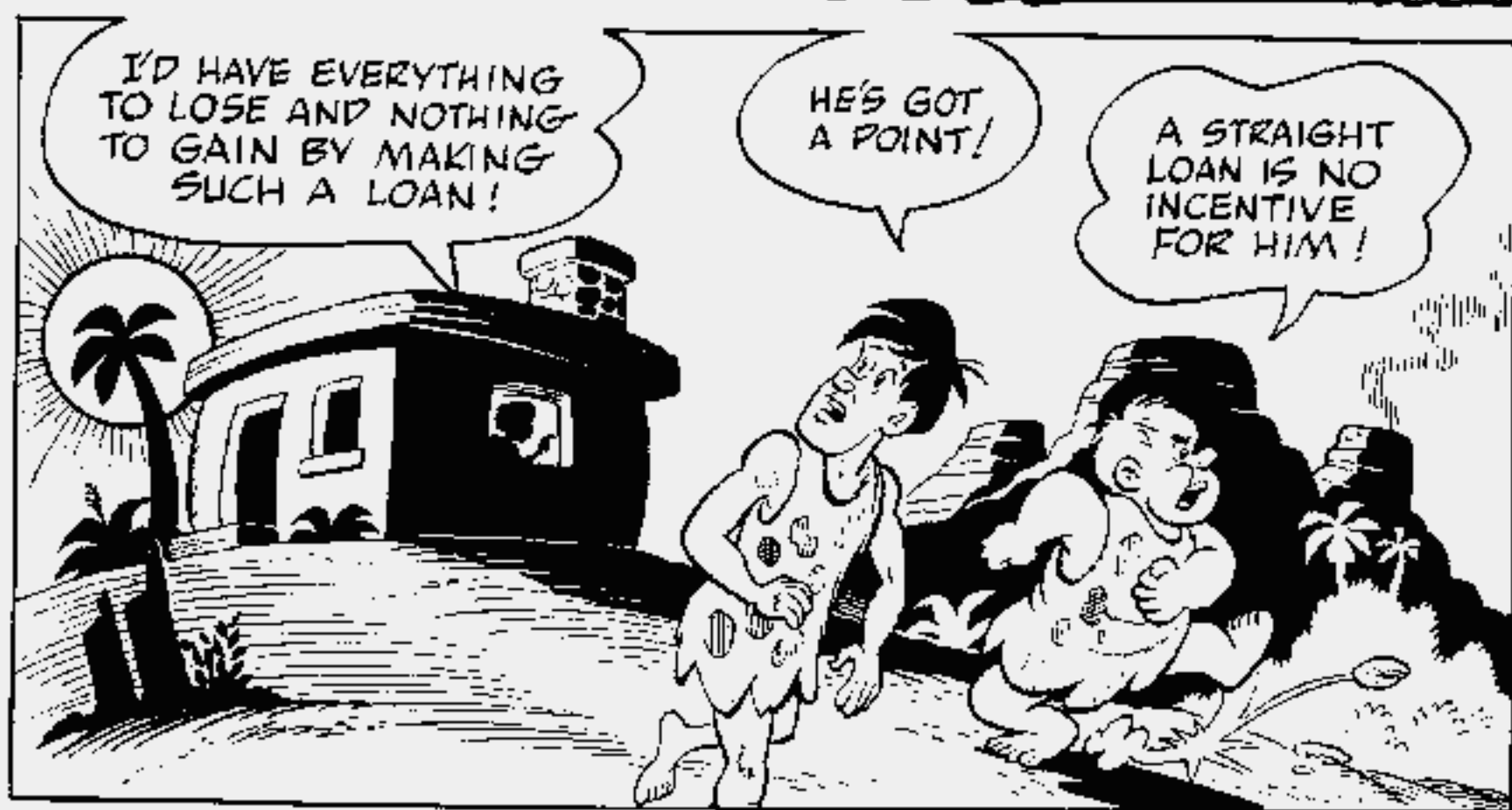
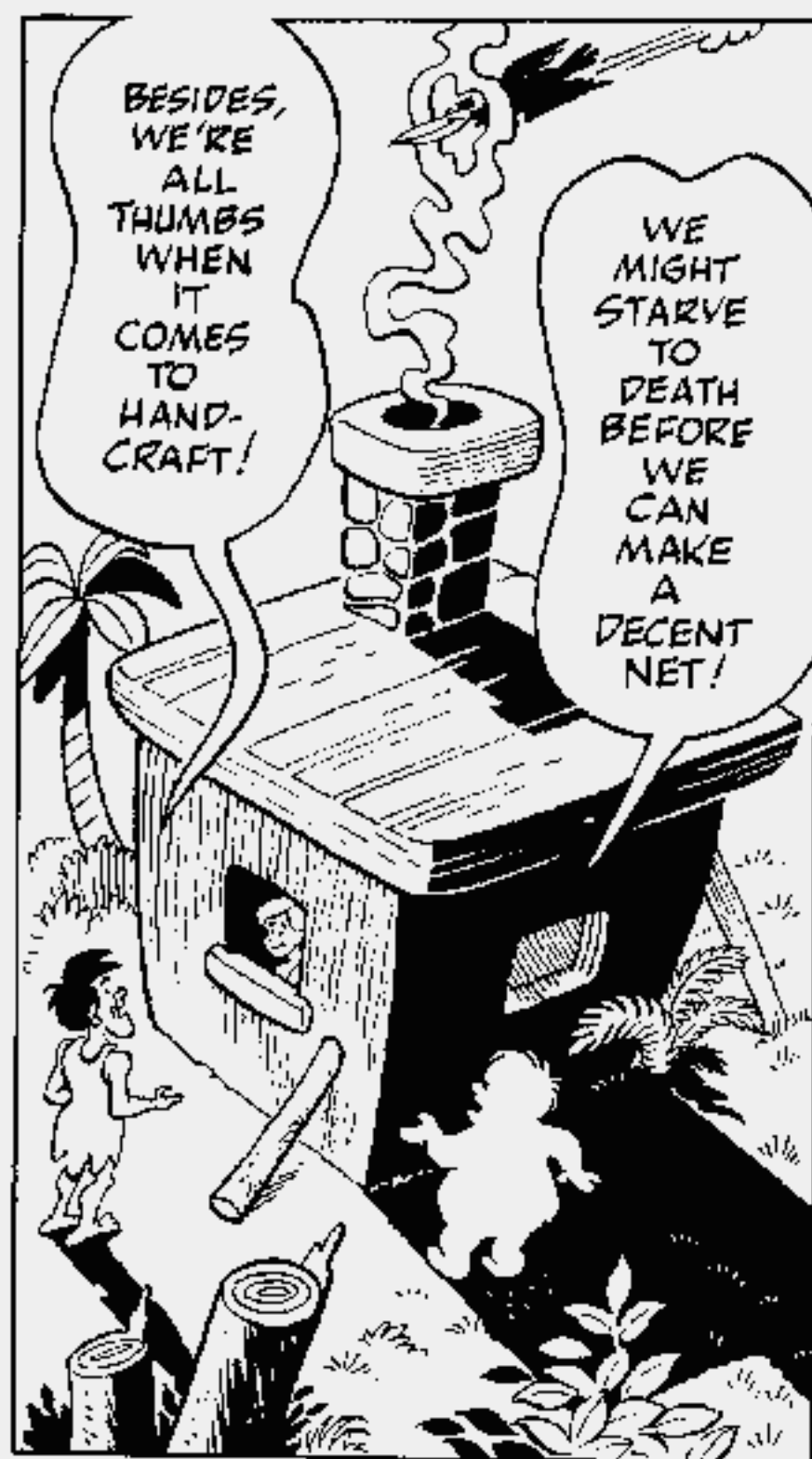


NOTHING DOING! MAKE YOUR OWN NET, BUDDY-BUDDIES!

HUH? B-BUT WE CAN'T STAND TO BE **HUNGRY!**

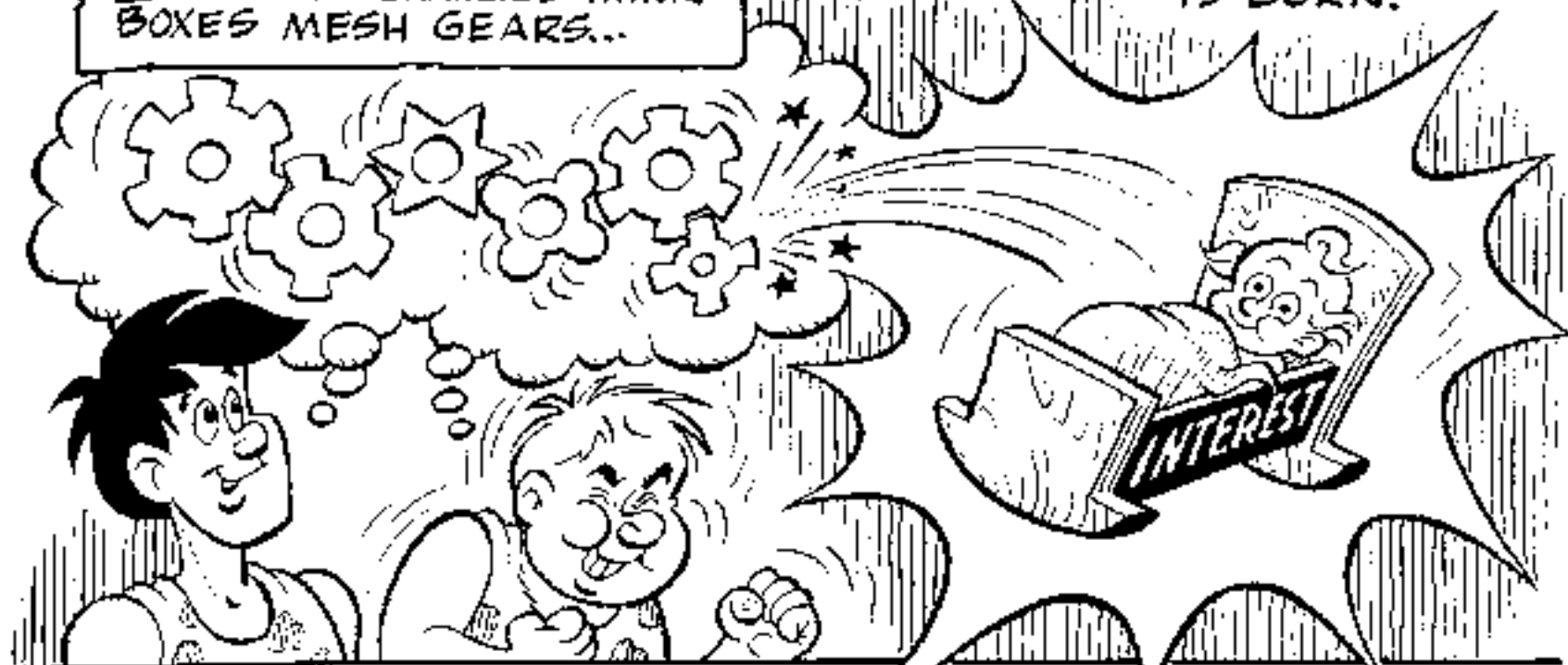
NOT EVERY-BODY IS CUT-OUT FOR SELF DEPRI-VATION!





BAKER AND CHARLIE'S THINK-BOXES MESH GEARS...

... AND A **FINANCIAL IDEA** IS BORN!



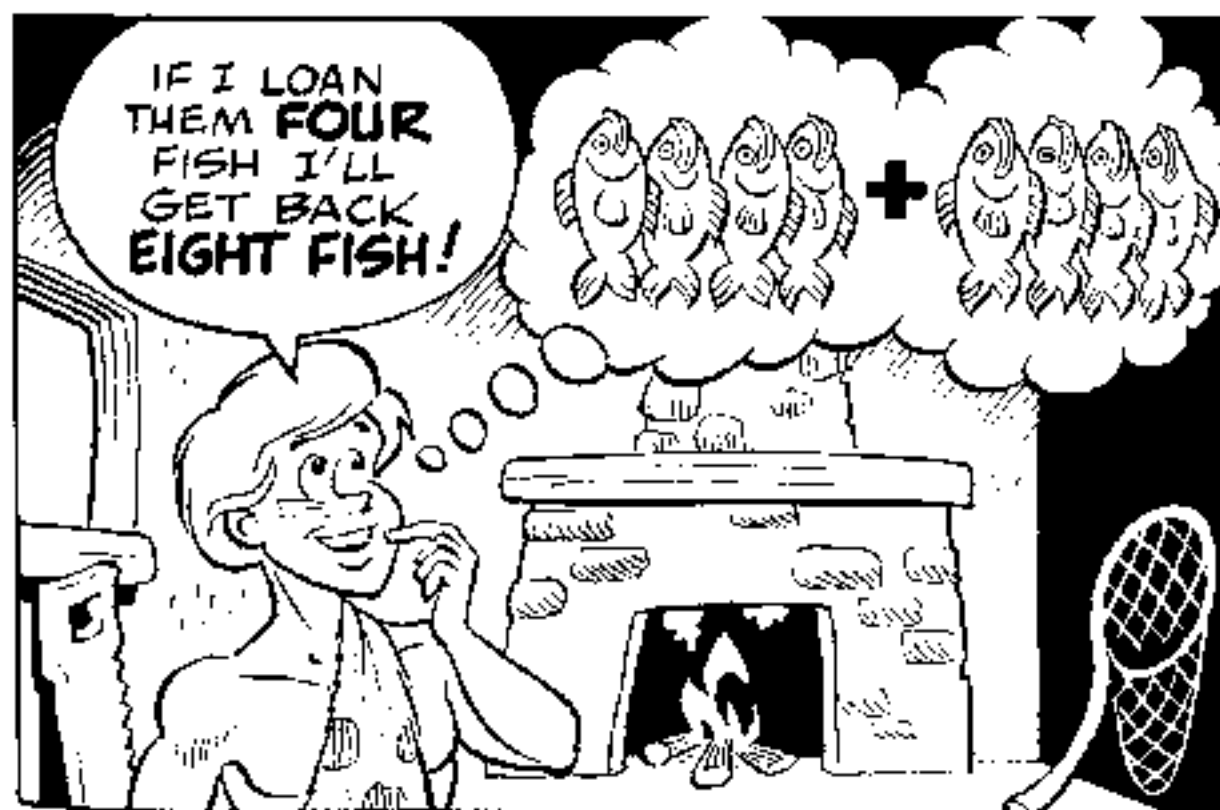
HEY, ABLE...
HEAR **THIS!**

FOR EVERY FISH YOU
LOAN TO US WHILE WE
BUILD A NET WE'LL
PAY BACK **TWO**
FISH!



NOW THAT **INTERESTS** ME!

IF I LOAN
THEM **FOUR**
FISH I'LL
GET BACK
EIGHT FISH!



I'LL BE **FOUR**
FISH RICHER
WITHOUT DOING
ANY MORE
WORK!



TWO-WAY BENEFITS

BUT IT'S
NOT ONLY
ABLE THE
"CAPITAL-
IST" WHO
GAINS...

THIS DEAL
REALLY WON'T
COST US
ANYTHING,
CHARLIE!

YES, WE
CAN USE ABLE'S
CAPITAL WITHOUT
ANY PERSONAL
SACRIFICE...LIKE
GOING HUNGRY!

WITH THE
FOUR FISH
WE BORROW WE
CAN EAT WHILE
BUILDING OUR
NETS!

AND WITH OUR DAILY CATCH
DOUBLED WE CAN SOON REPAY
THE 4 FISH LOAN PLUS 4 FISH
INTEREST TO ABLE!

IT'LL
REALLY
COST US
NOTHING
BECAUSE
WE'LL
PAY OFF
ABLE
OUT OF
OUR IN-
CREASED PRODU-
CTIVITY,
THANKS
TO HIS
SAVINGS!

WE'LL BE MUCH
BETTER OFF AND
SOON WE'LL HAVE
CAPITAL SAVINGS
TO LOAN OUT,
TOO!



ABLE'S SAVINGS OPTIONS

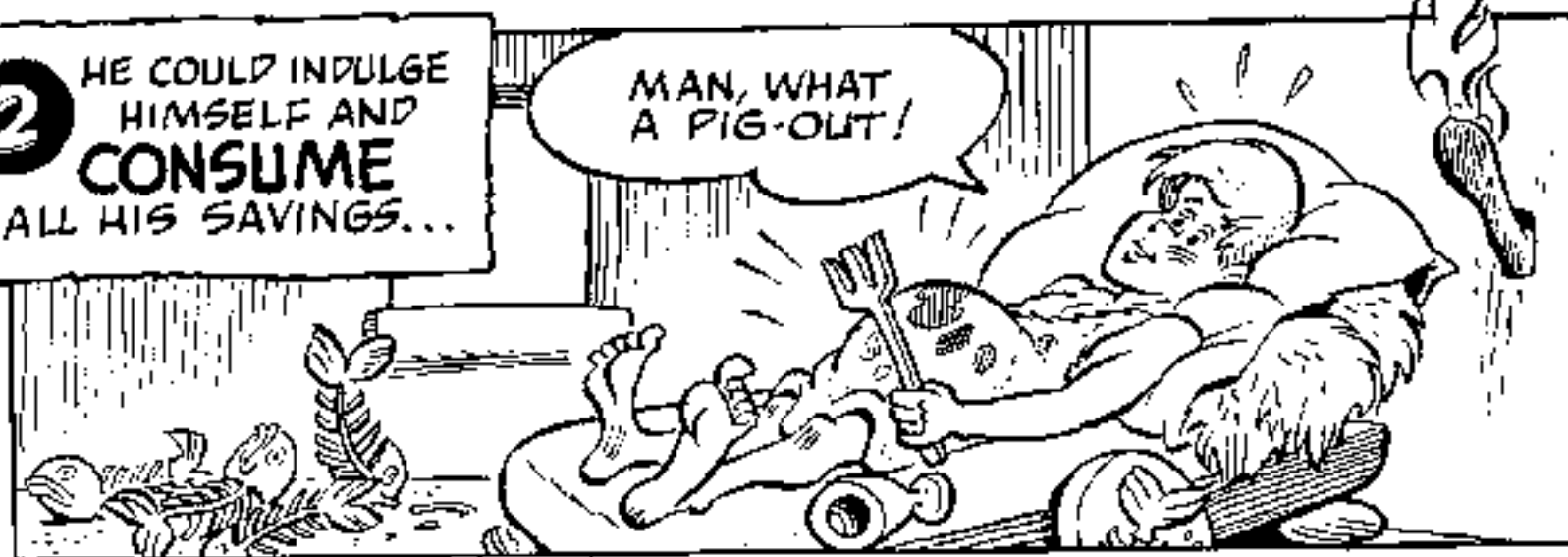
1 HE SIMPLY MIGHT HOLD ONTO HIS SAVINGS FOR POSSIBLE FUTURE EMERGENCY USE, BUT OF COURSE, THEN THEY WOULDN'T GROW...

ONCE SMOKED THEY DON'T SPOIL! I MIGHT WANT TO EAT THEM IF I'M EVER SICK OR SOMETHING HAPPENS!



2 HE COULD INDULGE HIMSELF AND CONSUME ALL HIS SAVINGS...

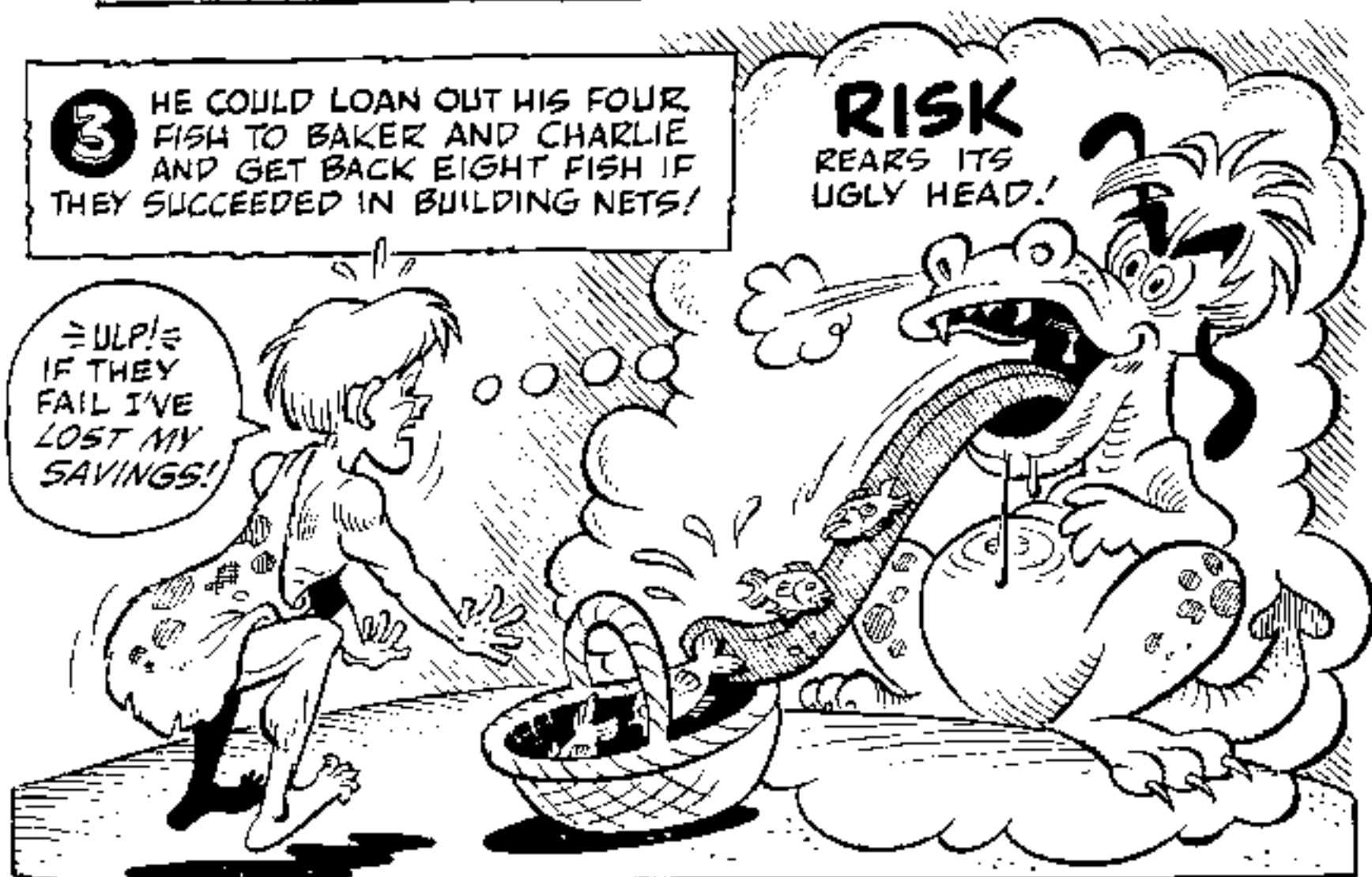
MAN, WHAT A PIG-OUT!

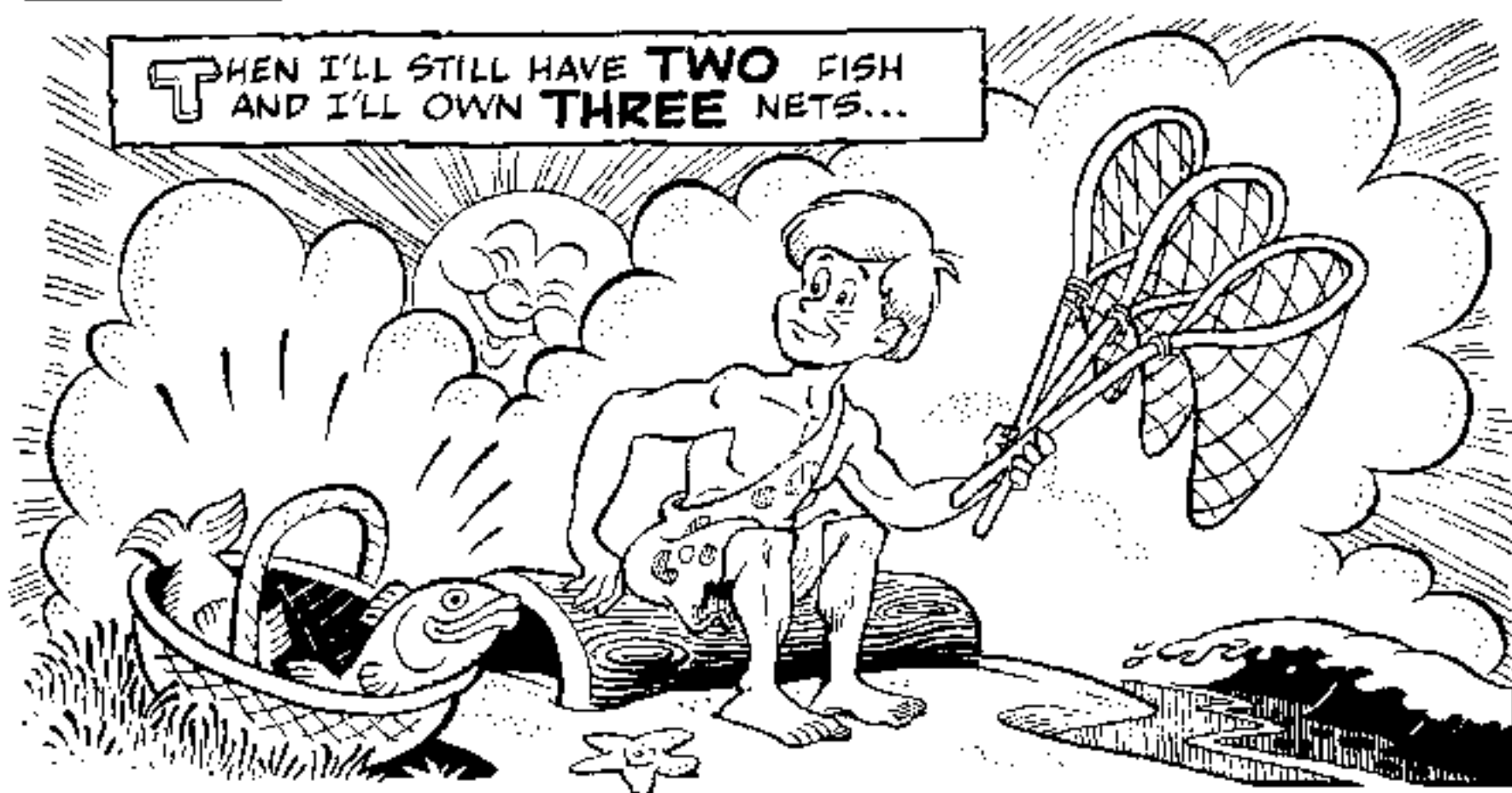
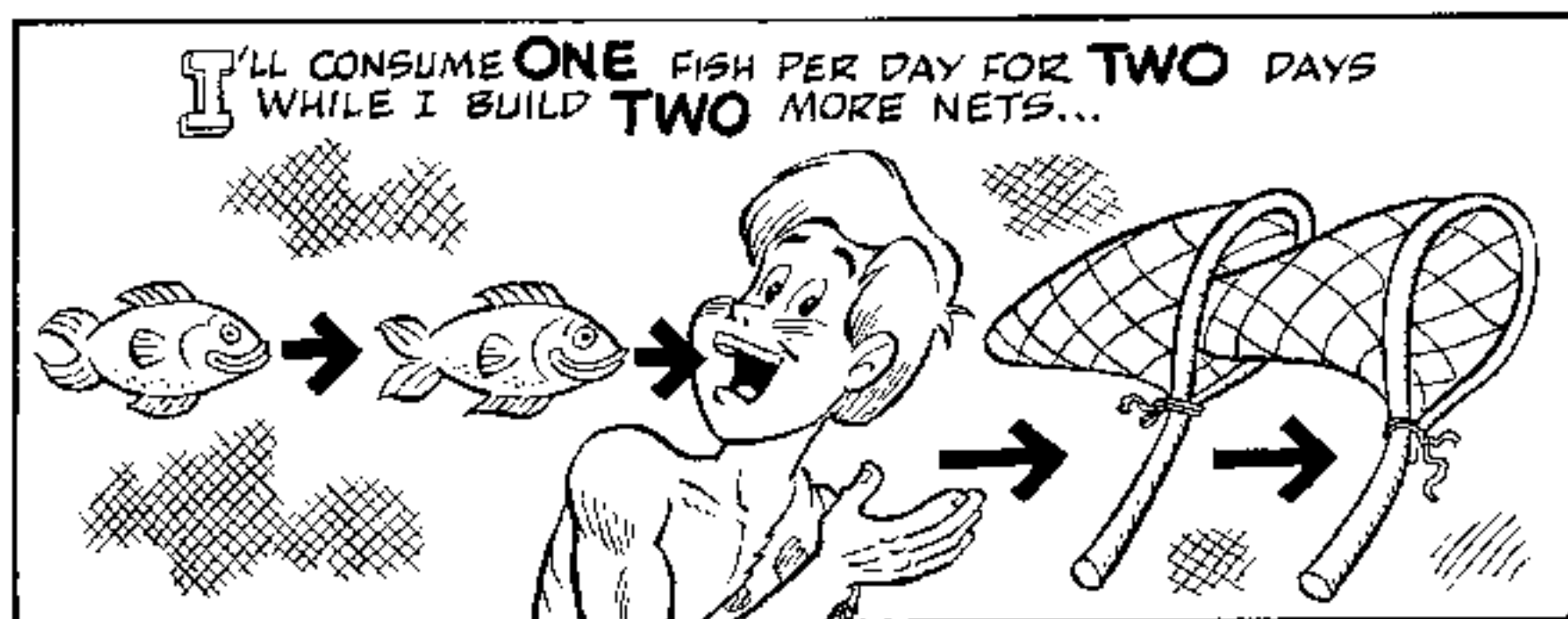


3 HE COULD LOAN OUT HIS FOUR FISH TO BAKER AND CHARLIE AND GET BACK EIGHT FISH IF THEY SUCCEEDED IN BUILDING NETS!

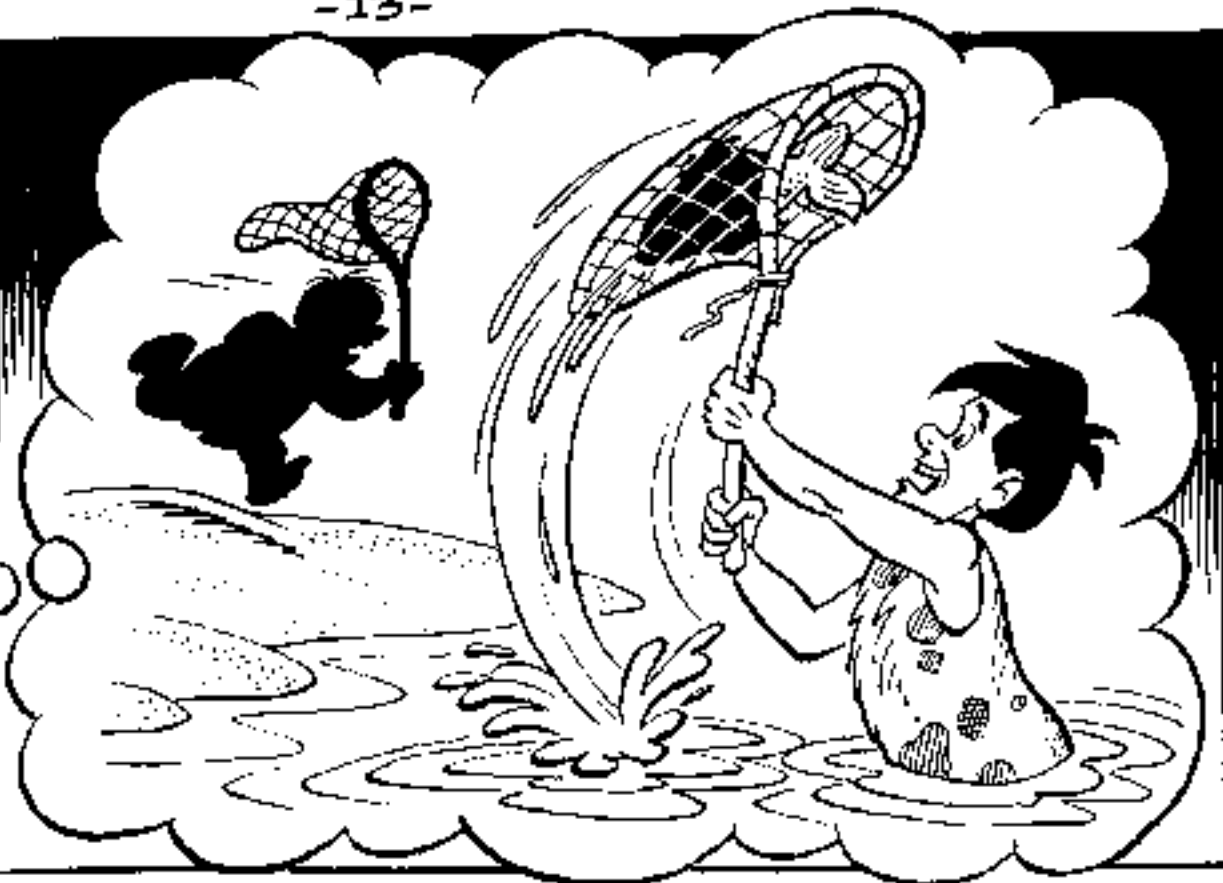
UHP!
IF THEY FAIL I'VE LOST MY SAVINGS!

RISK
REARS ITS UGLY HEAD!





NEXT, I CAN
RENT A NET TO
BAKER AND
CHARLIE FOR
 $\frac{1}{2}$ A FISH
PER DAY, A
REASONABLE
FEE...



BAKER AND CHARLIE
WILL EACH BE
ABLE TO CATCH **TWO**
FISH PER DAY WITH
THE NETS!

SINCE I WOULD'VE
CAUGHT 1 FISH WITHOUT
THE NET, AND SUBTRACT-
ING $\frac{1}{2}$ FISH RENT...
I'M NOW $\frac{1}{2}$ FISH
RICHER!

IT BEATS THE
HARD WORK OF
HAND-FISHING
WHEREBY I
CAN CATCH ONLY
1 FISH PER
DAY!



... AND I CAN RETIRE AND
NEVER WORK AGAIN, WITH
30 FISH PER MONTH
RENTAL FEES
COMING IN!



IT BEATS
LOANING 4
FISH TO
BAKER AND
CHARLIE TO
BUILD THEIR
OWN NETS!
THAT WOULD
HAVE
EARNED ME
A TOTAL OF
ONLY
4 FISH!



OF COURSE
BAKER AND
CHARLIE MIGHT
ONLY RENT
THE NETS FOR
2 DAYS...
THEN USE
THEIR
SAVINGS TO
BUILD NETS
FOR THEM-
SELVES...I'D
BE ONLY
2 FISH
AHEAD!

WHAT TO DO?... LOAN
OUT 4 FISH, SO BAKER
AND CHARLIE CAN BUILD THEIR OWN NETS, AND GET
8 FISH BACK, OR...EAT TWO OF MY FISH WHILE
BUILDING 2 MORE NETS FOR RENTAL THAT MIGHT
BRING BACK ONLY 2 FISH...
BUT POSSIBLY STEADY
RETIREMENT EARNINGS?



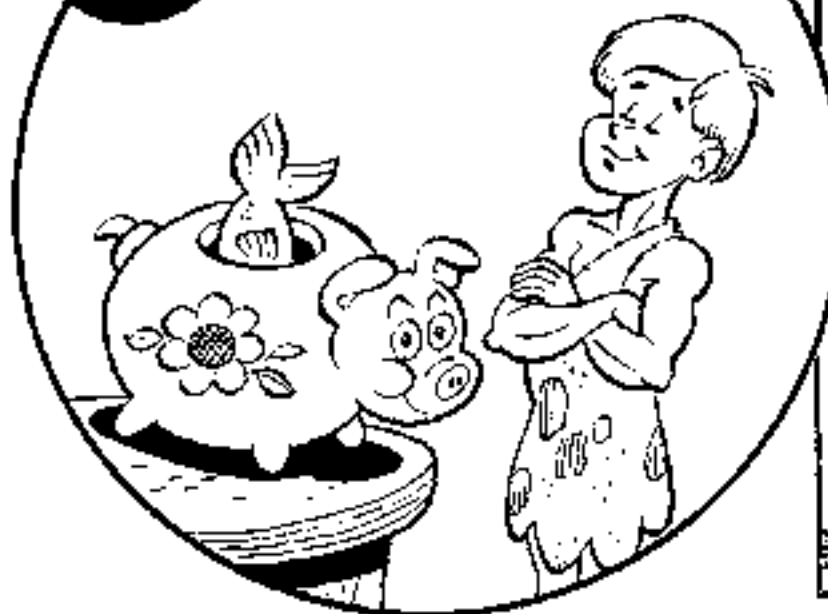
DECISIONS...DECISIONS! BUT
NO MATTER WHICH WAY HE GOES,
IF BAKER AND CHARLIE ARE
SUCCESSFUL, ABLE WILL HAVE
INCREASED HIS AND
SOCIETY'S CAPITAL!

Review

ABLE (AND SOCIETY) HAS ONLY FIVE THINGS HE CAN DO WITH HIS SAVINGS GAINED BY SELF-SACRIFICE...

1

HE CAN **SAVE** WHAT HE HAS SAVED



2

HE CAN **CONSUME** WHAT HE HAS SAVED



3

HE CAN **LOAN OUT** WHAT HE HAS SAVED...

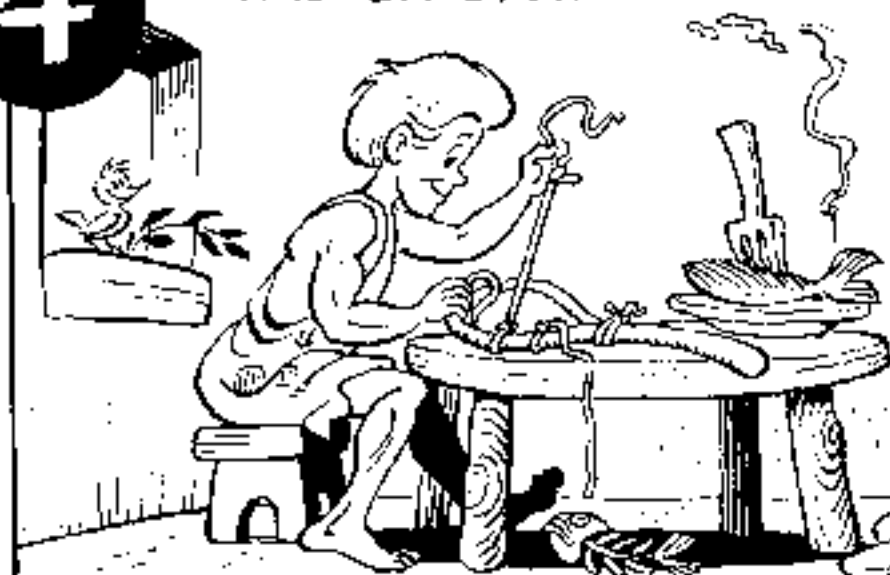


WE'VE GOT FOOD...LET'S TAKE A DAY TO BUILD NETS!



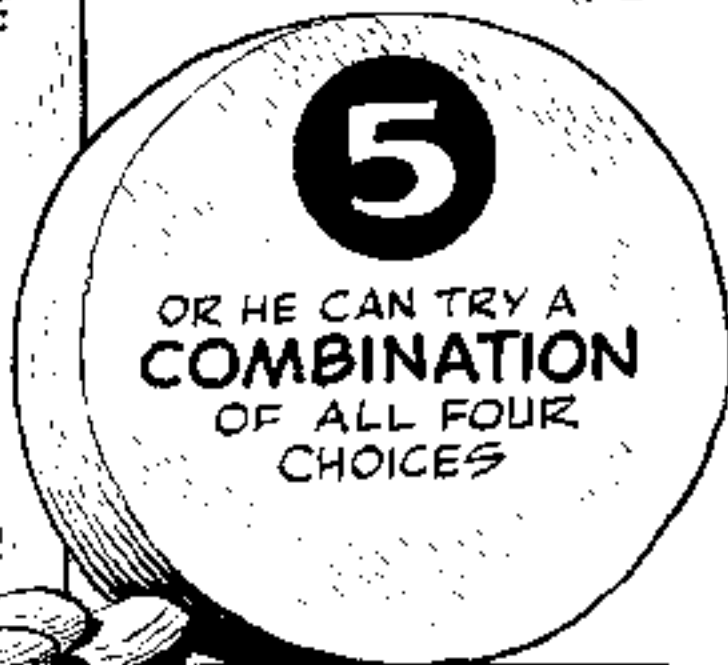
4

HE CAN **INVEST** WHAT HE HAS SAVED...



5

OR HE CAN TRY A **COMBINATION** OF ALL FOUR CHOICES



WHATEVER ABLE DOES IT WILL BE BASED UPON THE RELATIVE RISK AND PROFIT REWARDS & HIS PERSONAL ECONOMIC NEEDS!

WE'LL TELL YOU WHAT TO DO WITH YOUR CAPITAL, ABLE...



SAVINGS OPTIONS

1. SAVE SAVINGS
2. CONSUME
3. LOAN OUT
4. INVEST
5. COMBINATION

LOAN IT OUT FOR LOW-LOW INTEREST!

HOW ABOUT CHARITY? DIVVY UP!

OR HOW ABOUT THIS?

OH, NO YOU DON'T!



I'M THE ONLY ONE WHO STANDS TO LOSE DIRECTLY IF MY SAVINGS ARE WASTED!

SLAM!



MORAL RIGHT

SO **ONLY** ABLE HAS THE MORAL AND EQUITABLE RIGHT TO DECIDE HOW TO USE HIS PROPERTY!



WHATEVER CHOICE ABLE MAKES EVENTUALLY WILL ENABLE THE COMMUNITY TO GENERATE 3 EXTRA FISH PER DAY, ASSUMING THEY ALL CONTINUE TO WORK JUST AS HARD!

WHAT ABOUT GREED?

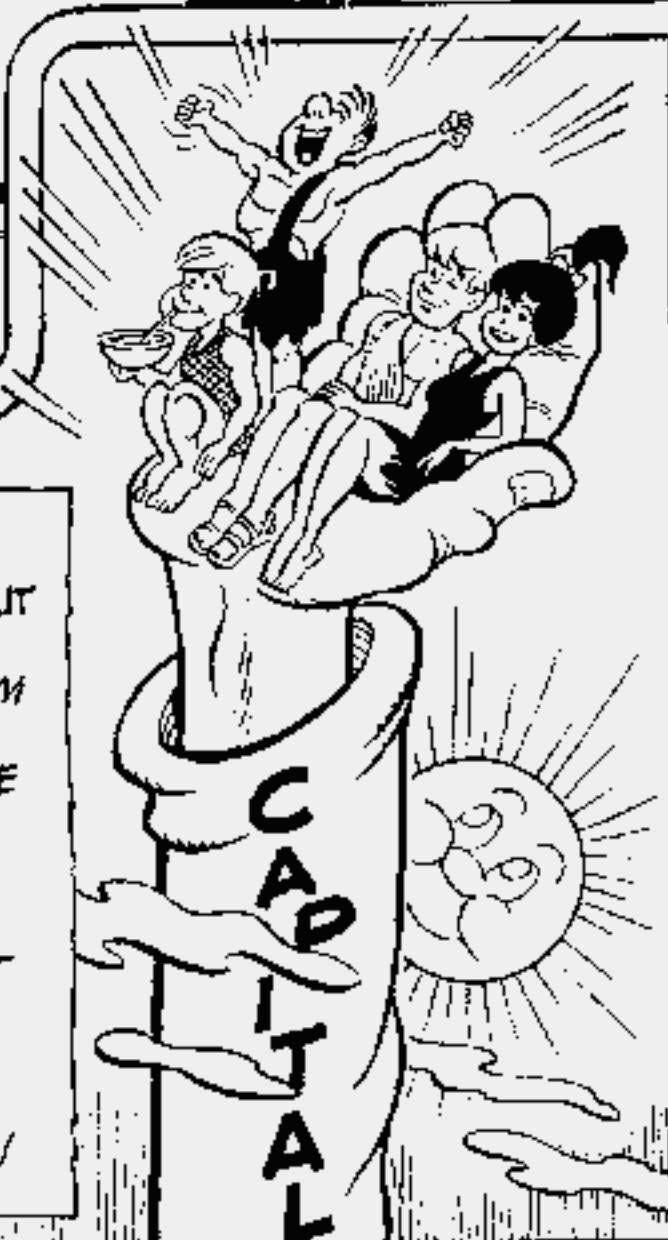


WON'T IT BE BAD IF ABLE TURNS OUT TO BE A GREEDY GUY, WANTING MORE AND MORE WEALTH?

BAD FOR WHO?



THE **ONLY** WAY ABLE'S WEALTH CAN **INCREASE** IS IF HE MAKES HIS WEALTH AVAILABLE TO OTHER MEMBERS OF THE COMMUNITY!



OTHERWISE HIS WEALTH WILL **STAY** THE **SAME** OR GET **SMALLER** AS HE PERSONALLY USES IT UP!

THE NOBLE THING ABOUT *PRIVATE CAPITALISM* IS THAT IT FORCES THOSE WHO MAY ONLY BE MOTIVATED BY PERSONAL GAIN TO RAISE THE STANDARD OF LIVING OF OTHERS!

SO ABLE DECIDES
TO LOAN 4 FISH
TO BAKER & CHARLIE...

NOW WE HAVE FISH TO EAT
WHILE WE BUILD OUR OWN
NETS!



THE NETS ARE
MADE...

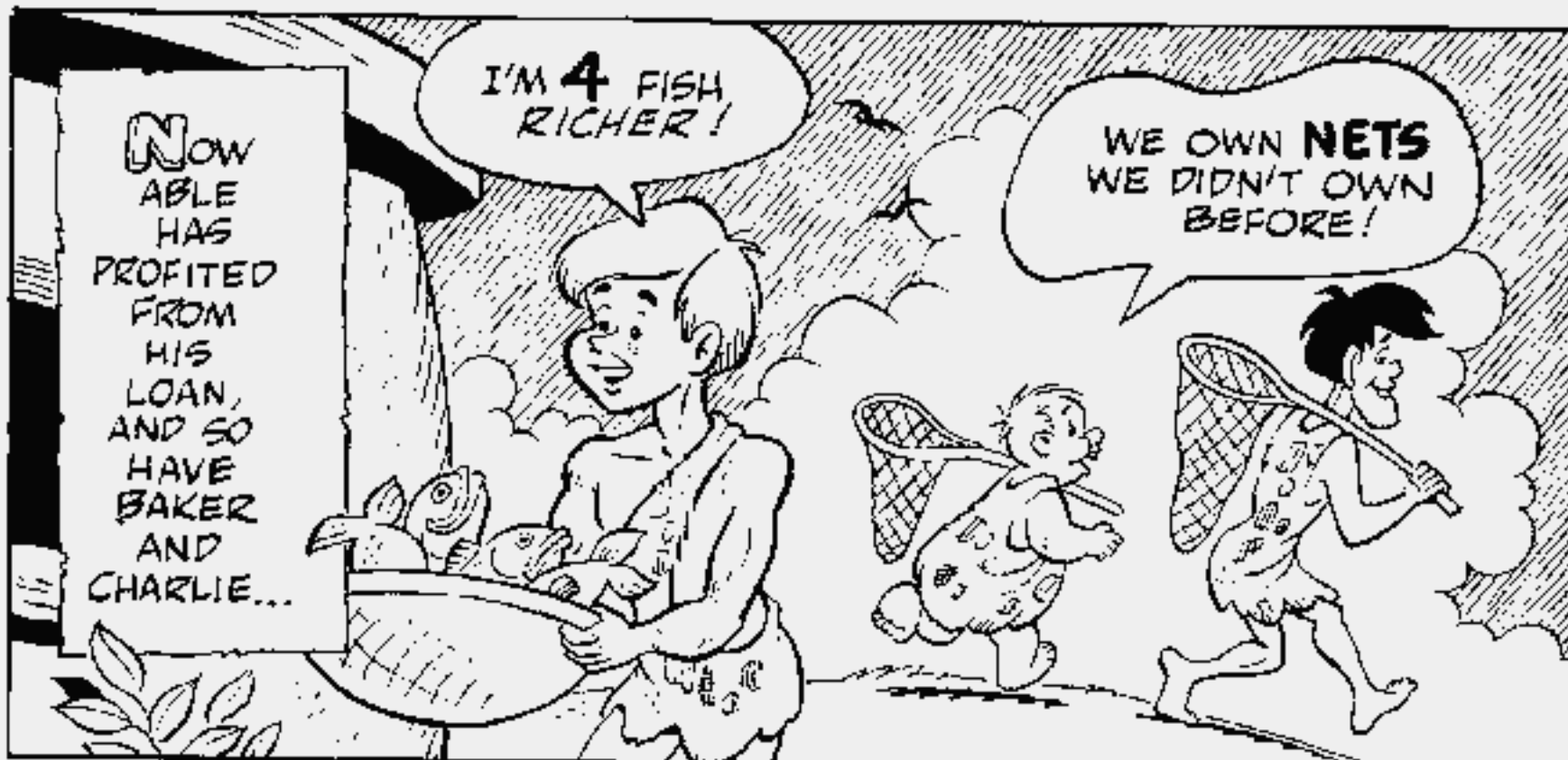
AND THEY NOW CATCH
ENOUGH FISH TO EAT
AND TO PAY BACK THEIR
LOAN TO ABLE...



NOW
ABLE
HAS
PROFITED
FROM
HIS
LOAN,
AND SO
HAVE
BAKER
AND
CHARLIE...

I'M 4 FISH
RICHER!

WE OWN NETS
WE DIDN'T OWN
BEFORE!





NOW BAKER AND CHARLIE FISH FOR A FULL WEEK, SAVING ENOUGH FISH TO ENABLE THEM TO DEVOTE ANOTHER WEEK'S EFFORT ON A STILL **BIGGER CAPITAL PROJECT...**

MONDAY

TUESDAY

WED.

THURS.

FRIDAY

SAT.

THIS MUCH LARGER PROJECT REQUIRES MORE AND NEW MATERIALS... PLUS **INGENUITY...**

LET'S BUILD A **BIGGER AND BETTER FISH CATCHER!**

WE NEED **TOUGHER STUFF... LIKE VINES!**

...AND **BAMBOO!**



- 20 -

the BETTER FISH TRAP



NATURAL DISASTERS... ACTS OF GOD

THESE MAY DISRUPT THE ISLAND'S ECONOMY BY DAMAGING ITS CAPITAL...THE BIG FISH TRAP.

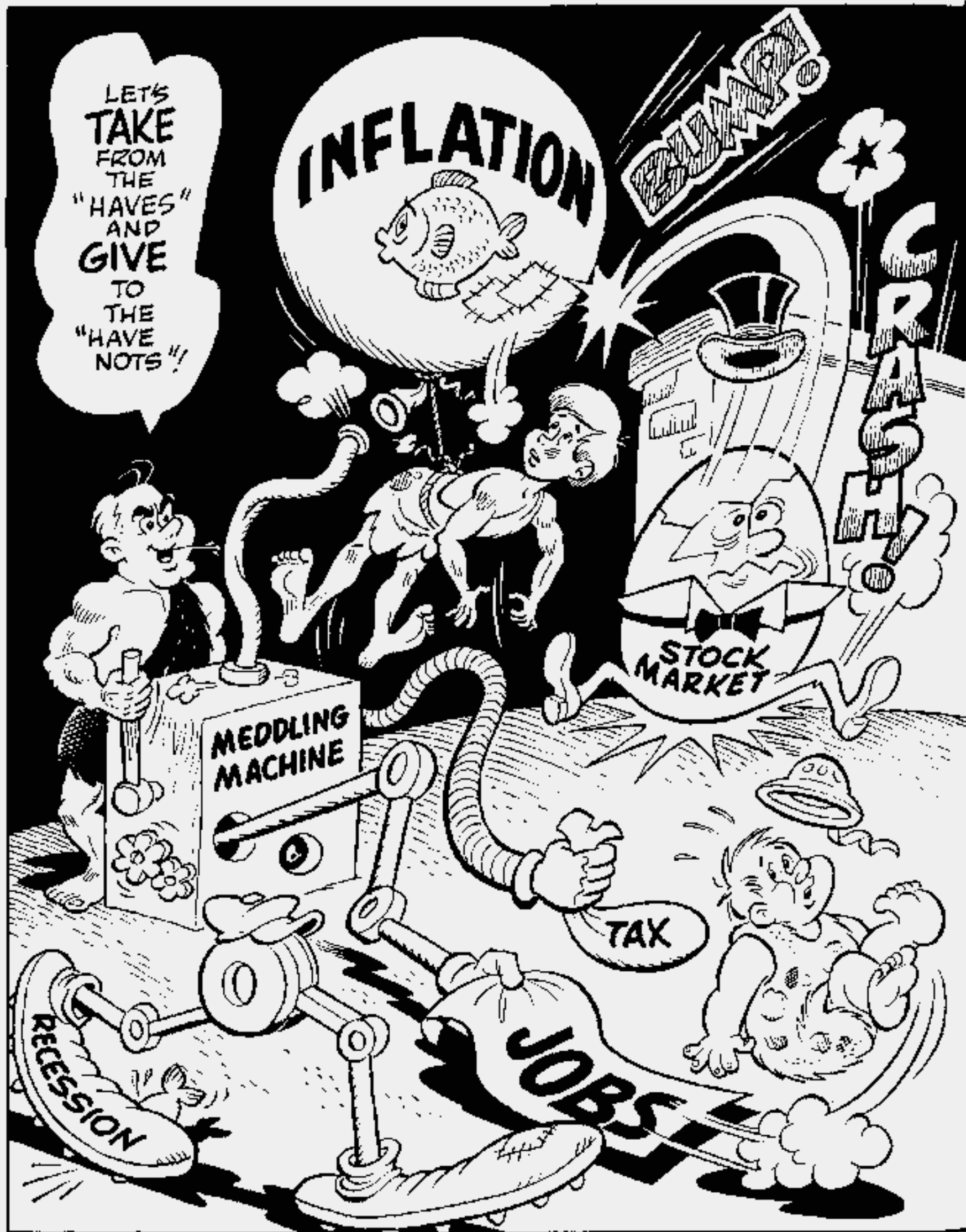


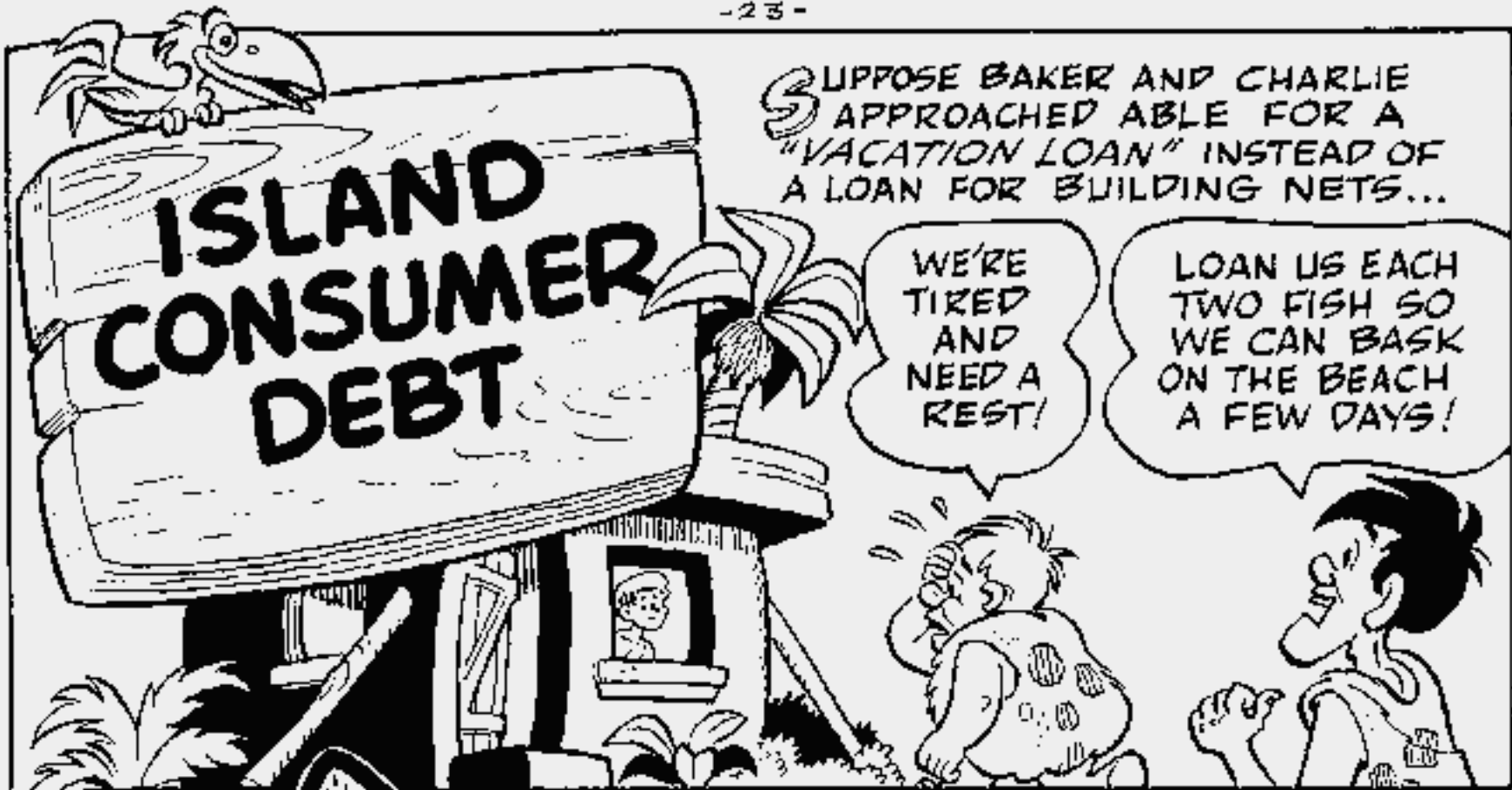
BUT WHEN WE FIND
"HARD TIMES" (SUCH
AS RECESSION AND
DEPRESSION) IN THE
ABSENCE OF
NATURAL DISASTERS,
THEIR CAUSE
IS
MAN-MADE!



UNNATURAL DISASTERS

THROUGHOUT HISTORY UNNATURAL DISASTERS HAVE BEEN CAUSED BY NONPRODUCTIVE POLITICIANS MEDDLING IN THE NATURAL ECONOMIC ORDER TO STEAL THE PRODUCTIVITY OF SOME FOR THE BENEFIT OF OTHERS.





LOOK!
WHY BORROW
AND GO HUNGRY
4 DAYS TO RE-
PAY THE LOAN,
WHEN
WITHOUT
BORROWING
YOU CAN
FINANCE YOUR
VACATION BY
GOING WITH-
OUT FISH FOR
ONLY 2 DAYS?



GIVE
ME ONE
GOOD
REASON!



WE WANNA TAKE
OUR VACATION

YIKES! THE "NOW"
ORIENTED
GENERATION!

NOW!



I DENY
YOUR LOAN
WHICH WOULD ONLY
BENEFIT ME AND BE AN
ECONOMIC BURDEN
TO YOU!



BESIDES...IF I MAKE A
CONSUMER LOAN TO **YOU**
I WON'T HAVE AS MUCH TO
LOAN OUT FOR PRODUCTIVE
PURPOSES!

BAH!
FOOEY!



-25-
CAN ABLE EXPAND

CREDIT?

HOCUS
POCUS!

POLITICIANS AND BANKERS
FREQUENTLY REFER TO
"EXPANDING" OR "EASING" OF
CREDIT! BUT CAN ANYBODY
DO THIS AT COMMAND?

CAN A STATIST
MAGICIAN
REALLY MAKE
MORE WEALTH
AVAILABLE TO
LOAN BY A MEKE
WAVE OF HIS

MAGIC
WAND?



THE OBVIOUS
ANSWER IS **NO!**

NOBODY CAN LOAN OUT SOME-
THING THEY DON'T HAVE! ANY
ATTEMPT TO DO SO IS
TRICKERY and **FRAUD!**

TAKE THIS!
I'LL MAKE
GOOD ON IT!

WHO
ARE
YOU
KIDDIN'
!P!

YOU HAVE
ONLY 4
FISH IN
YOUR
BASKET!

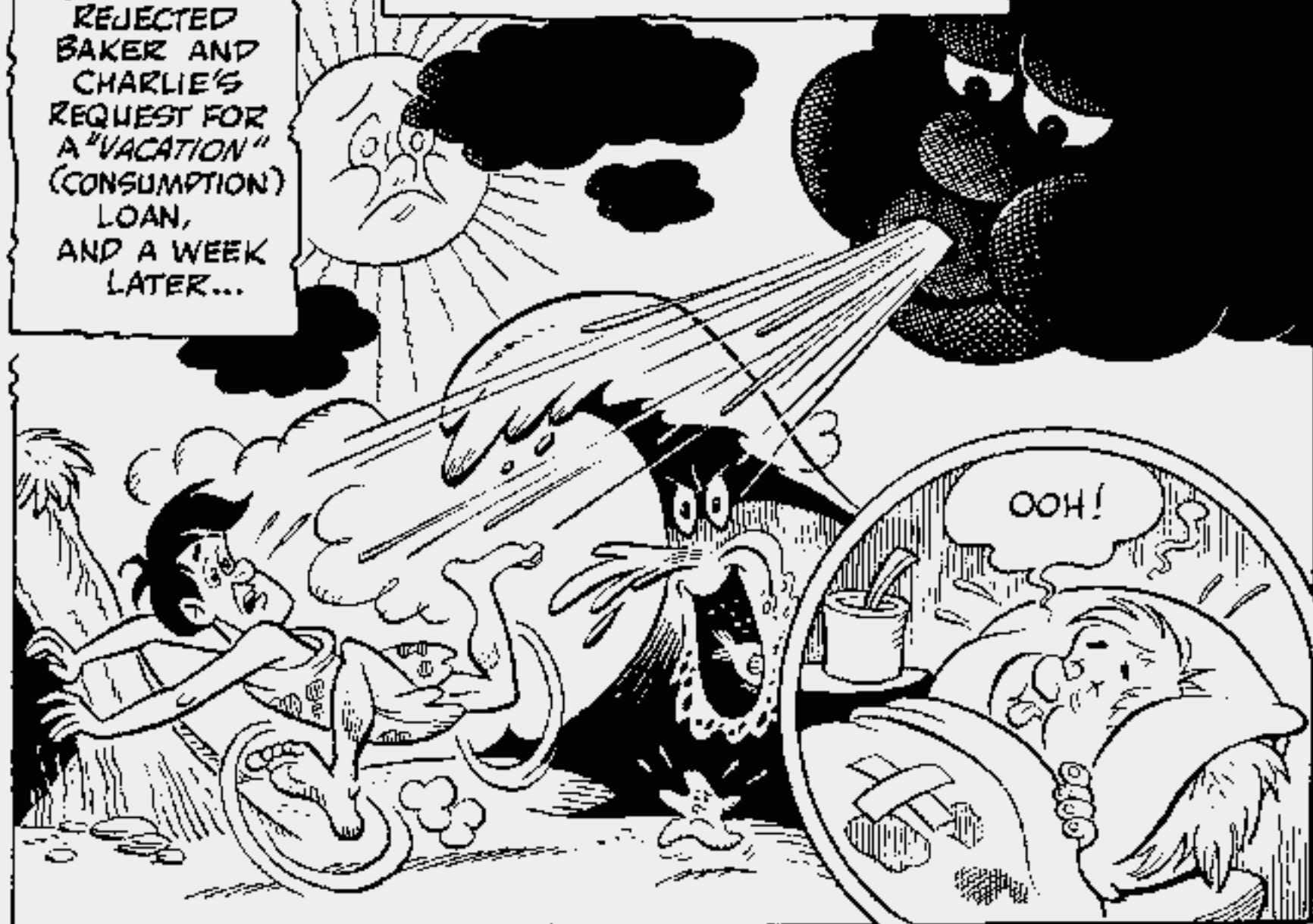
LOANS

THE ISLAND'S TOTAL SUPPLY OF CREDIT
IS LIMITED BY ITS TOTAL SUPPLY OF FISH!

-26-
the **EMERGENCY LOAN** *for* **CONSUMPTION**

ABLE HAS
WISELY
REJECTED
BAKER AND
CHARLIE'S
REQUEST FOR
A "VACATION"
(CONSUMPTION)
LOAN,
AND A WEEK
LATER...

BAKER AND CHARLIE CANNOT FISH
BECAUSE OF A STORM OR SICKNESS...



NOW, OUT OF COMPASSION, ABLE MAKES A CONSUMER LOAN OUT OF
HIS SACRIFICIALLY ACCUMULATED SAVINGS SO THAT BAKER AND
CHARLIE CAN EAT AND LIVE TO WORK ANOTHER DAY...



BUT SUPPOSE ABLE HAD GRANTED THE ORIGINAL & NEEDLESS CONSUMPTION LOAN FOR A VACATION



AND THEN A STORM STRIKES



THE STORM RAGES FOR DAYS,
MAKING FISHING IMPOSSIBLE!

DON'T YOU HAVE
ANY MORE FISH,
ABLE?

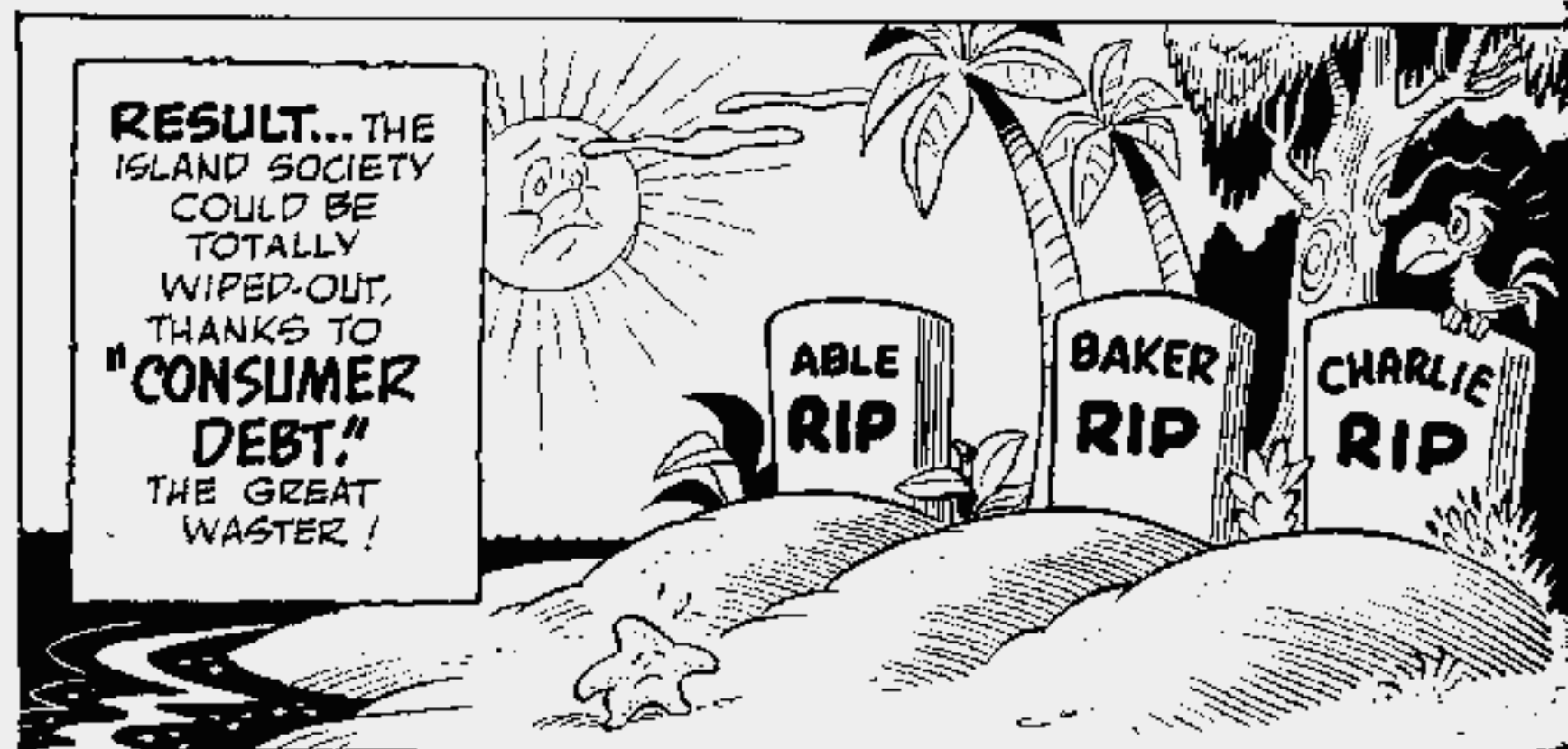
SORRY! YOU
WASTED ALL
THE ISLAND'S
SAVINGS
VACATIONING!



IN THEIR WEAKENED
CONDITION DISEASE
COULD TAKE OVER...



**RESULT...THE
ISLAND SOCIETY
COULD BE
TOTALLY
WIPE-OUT,
THANKS TO
"CONSUMER
DEBT."
THE GREAT
WASTER!**



SURVIVAL of THE SAVERS

-29-

IF ON THE OTHER HAND, ABLE REFUSED TO MAKE THE "VACATION LOAN," HE WOULD HAVE HAD "EMERGENCY FUNDS" AVAILABLE TO WEATHER THE STORM...

WE CAN GET BY ON LESS BECAUSE WE'RE NOT USING UP ENERGY WORKING!

WE'LL SURVIVE... THANKS TO ABLE'S SAVINGS!

A DEPRESSION OR A RECESSION HAS SET IN!

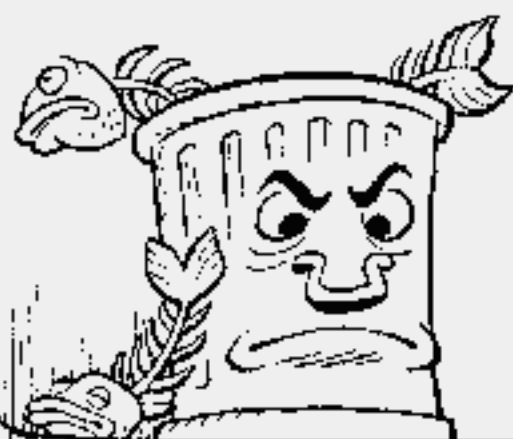
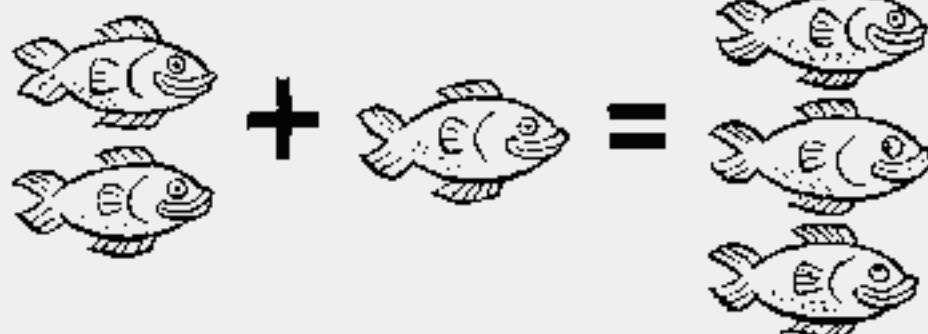
YES, SAVINGS CAN MEAN THE DIFFERENCE BETWEEN THE LIFE AND DEATH OF SOCIETY!

LESSON:

CONSUMPTION
LOANS
WASTE
SAVINGS

INVESTMENT
OR CAPITAL LOANS
TEND TO **INCREASE**
SAVINGS

Loan Interest Increase



LIFE

IT MAKES A
BIG
DIFFERENCE

DEATH

SAVINGS

CONSUMER DEBT

CAPITAL LOAN RISK

OF COURSE, NOT ALL INVESTMENTS OR CAPITAL LOANS WORK OUT, AND THIS CAN ALSO BRING ABOUT A REDUCTION AND A WASTE OF SOCIETY'S STORE OF SAVINGS! BUT THE ONES THAT WORK MAKE UP FOR THE ONES THAT DON'T!

ABLE MAY HAVE MADE LOANS TO BAKER AND CHARLIE TO BUILD NETS, BUT...



OR ABLE MAY HAVE USED UP HIS CAPITAL BUILDING MORE NETS FOR HIMSELF, BUT...



2 BIG LESSONS

- 1** LOANS FOR **CONSUMPTION** PURPOSES REDUCE THE AMOUNT OF FUNDS AVAILABLE TO FINANCE BOTH **CAPITAL** PROJECTS AND THE PRODUCTION OF MORE **CONSUMER** GOODS, AND THEREFORE CAN ONLY **LOWER** SOCIETY'S STANDARD OF LIVING AND ITS ECONOMIC SECURITY.



FOOLS!

YOUR CONSUMPTION LOANS TOOK ALL OF THE ISLAND'S SAVINGS SO THAT NO LOANS WERE AVAILABLE FOR MANUFACTURING SURFBOARDS, SUN-GLASSES, OR ANY THING ELSE!



2

GOVERNMENT PROGRAMS ENCOURAGING LOANS TO POOR QUALITY AND HIGH RISK APPLICANTS DEVELOP A HIGHER DEGREE OF CAPITAL FAILURE, AND WASTE SOCIETY'S SAVINGS IN THE SAME WAY AS GRANTING CONSUMER CREDIT!

GO AHEAD... LOAN
TO THOSE POOR
RISKS! I'LL
GUARANTEE
THE LOANS!

BUT GOVERNMENT
HAS NO SAVINGS! IT CAN ONLY
RAID THE SAVINGS OF THOSE WHO
HAVE SACRIFICIALLY UNDER-CONSUMED
TO CREATE SAVINGS!



ENTER *the* BULLY

BUT NOW LET US SUPPOSE, THAT, WHILE BAKER AND CHARLIE WERE ATTEMPTING TO NEGOCIATE A CONSUMER LOAN FROM ABLE FOR A VACATION **FRANKLIN DEE** THE ISLAND'S BULLY SHOWED UP..





TODAY, IN AMERICA, THE INFLUENCE OF POLITICIANS ON LOANING INSTITUTIONS OPERATES IN MUCH THE SAME WAY AS FRANKLIN DEE, TO:

- 1** WASTE SAVINGS BY ENCOURAGING THE UNECONOMIC USE OF CREDIT
- 2** DISCOURAGE SAVINGS BY REDUCING IF NOT COMPLETELY ELIMINATING THE REWARDS OF THRIFT



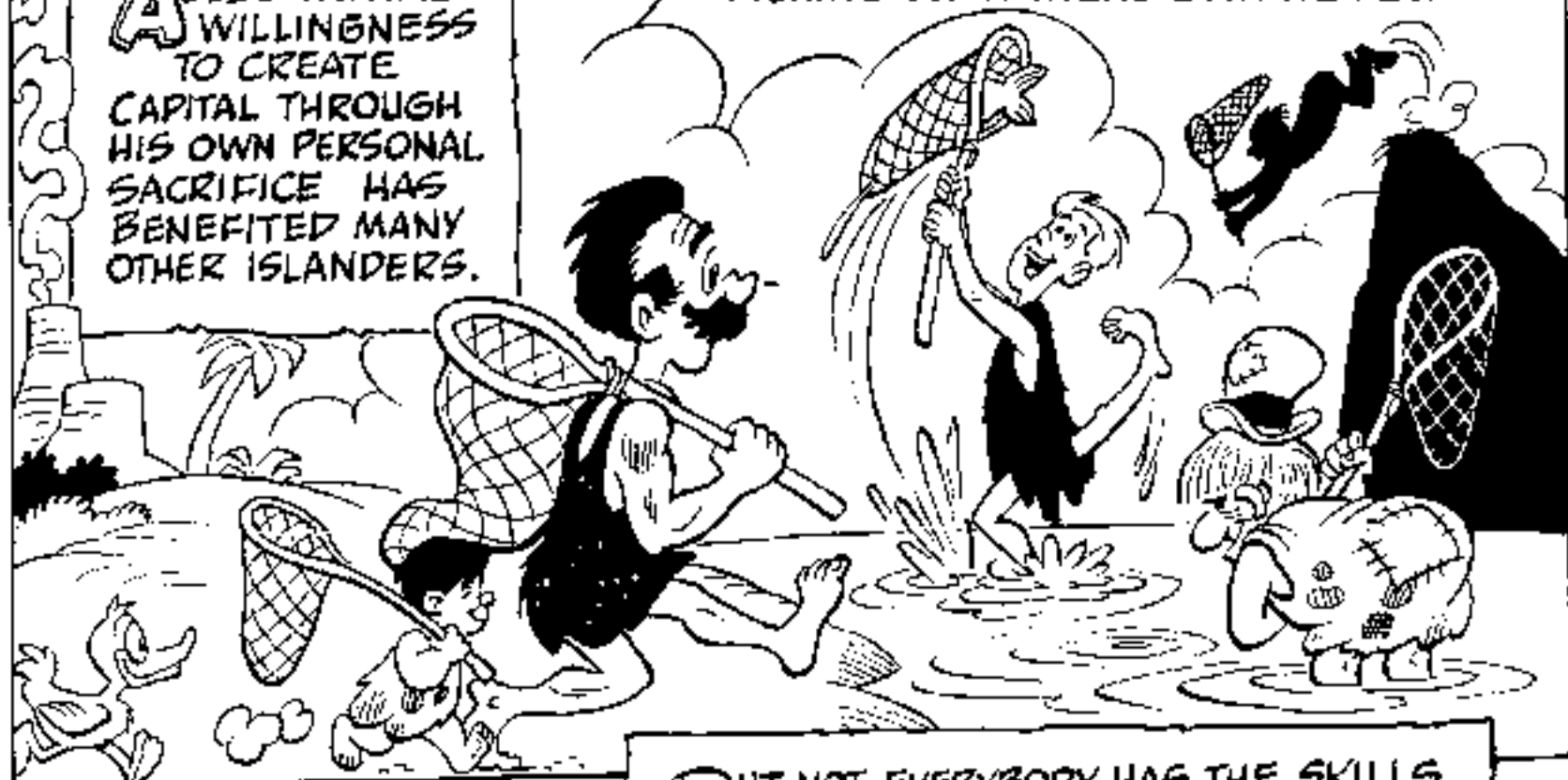
the ISLAND ECONOMY

GROWS

NOW LET'S SEE HOW THE **SAME ECONOMIC RULES** THAT OPERATE IN A **SIMPLE** ECONOMIC SOCIETY ALSO APPLY TO A MORE **COMPLICATED** ONE...

ABLE'S INITIAL WILLINGNESS TO CREATE CAPITAL THROUGH HIS OWN PERSONAL SACRIFICE HAS BENEFITED MANY OTHER ISLANDERS.

NOW THERE ARE MANY "ABLES" FISHING WITH THEIR OWN NETS...



BUT NOT EVERYBODY HAS THE SKILLS OF NETMAKING AND FISHING...

SOME ISLANDERS BORROW FISH TO SUSTAIN THEMSELVES WHILE THEY BUILD THE TOOLS OF OTHER TRADES...

I'M A HAMMOCK MAKER!

THERE'S LOTS OF NEED FOR WAGONS!

I MAKE TABLES AND CHAIRS!



I'M A (PUFF-PUFF!)
BOULEVARD BUILDER!

AND THERE ARE ALSO
BUILDING-BUILDERS...

OUTSTRETCHED
ARMS APTS.

ROUTE
1

BOAT
BUILDERS...

BUGGY
BUILDERS...

BUGGY
WORKS

PUFF-MOBILE

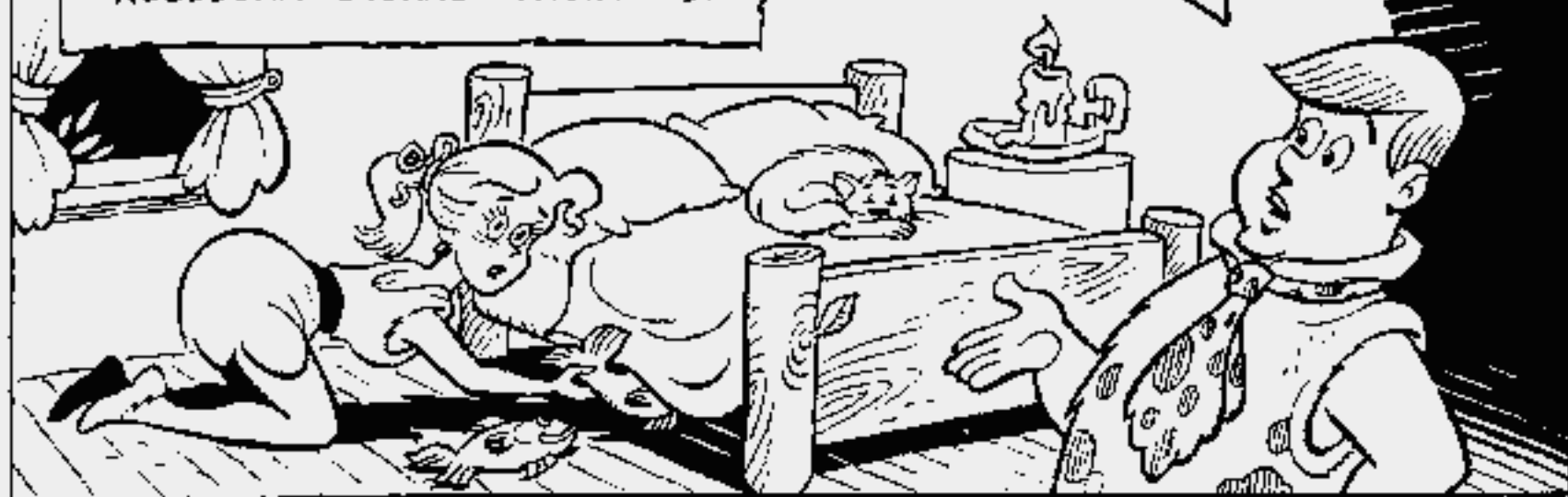
YOU
NAME
IT!

BRUSHES

THE ISLANDERS CONTINUED TO USE FISH AS A MEDIUM OF EXCHANGE. ALL WAGES AND PRICES WERE QUOTED IN TERMS OF SO MANY FISH: AS WERE THE TERMS OF LOANS. AND SINCE EACH PERSON ON THE ISLAND CONSUMED ONE FISH PER DAY, THE ISLAND'S PRICE STRUCTURE WAS RELATED TO THEIR DAILY CONSUMPTION OF FISH!

HOWEVER, AS THE ISLANDER'S FISH-SAVINGS INCREASED, THEY SIMPLY DID NOT HAVE THE NECESSARY STORAGE FACILITIES...

ARE YOU KIDDING? BURGLARS ALWAYS LOOK **THERE** FIRST!



AND WHILE THEY WOULD HAVE LIKED TO SEE THEIR SAVINGS GROW BY LOANS AND INVESTMENTS, INDIVIDUAL PRODUCERS HAD NEITHER THE TIME NOR TRAINING TO JUDGE THE MERITS OF BUSINESS PROPOSITIONS OFFERED TO THEM...

MARTHA, HE'S SELLING SHARES IN THE COD LIVER OIL SWEEPSTAKES!



SO, AN HONEST AND WISE MEMBER OF THE ISLAND COMMUNITY, **MAX GOODBANK**, SEEING A VERY REAL BUSINESS OPPORTUNITY, ENTERS THE SCENE...

I'LL BUILD A LARGE STORAGE FACILITY FOR THE ISLAND'S FISH SAVINGS!

JUST WHAT WE NEED!

ER...BUT JUST HOW WILL IT WORK?



How "FISH SAVINGS & LOAN CO" WORKS

WHEN THE "ABLES" OF THE ISLAND UNDERCONSUME THEY DEPOSIT THEIR FISH SAVINGS WITH MR. GOODBANK...



FISH SAVINGS ACCOUNT				
of Mr. J. M. Able				
NO. 001,356				
DATE DEP	AMOUNT	INT.	BAL.	
7-15	2	-	2	
	1	-	3	
	2	-	5	
	3	-	8	
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			353	
			356	



SO THE ABLES DELEGATE INVESTMENT RESPONSIBILITY TO MR. GOODBANK

NOW THOSE
REQUIRING
CONSUMPTION
GOODS (FISH)
IN ORDER TO
FINANCE A
CAPITAL
PROJECT
NEED ONLY
SEE
MR. GOODBANK,
RATHER THAN
ALL OF THE
"ABLES" ON
THE ISLAND...

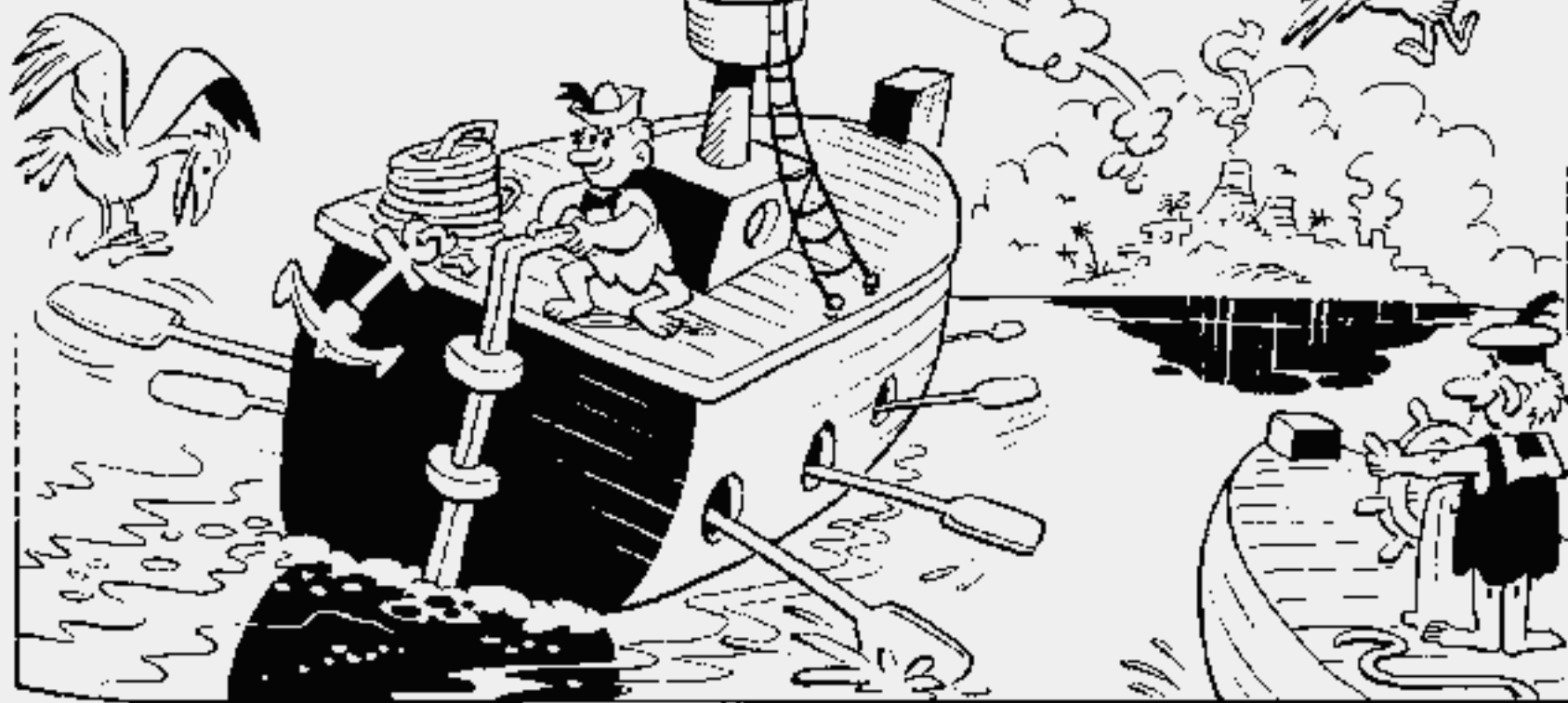
I NEED SOME FISH TO
EAT WHILE I BUILD A
TOOL FACTORY!

HMM...
YOU
HAVE A
GOOD
RECORD!

MR. GOODBANK HAS TOO
MUCH INTEGRITY TO
RISK THE ISLANDER'S
SAVINGS ON
VACATION LOANS AND
THE LIKE...

SORRY!

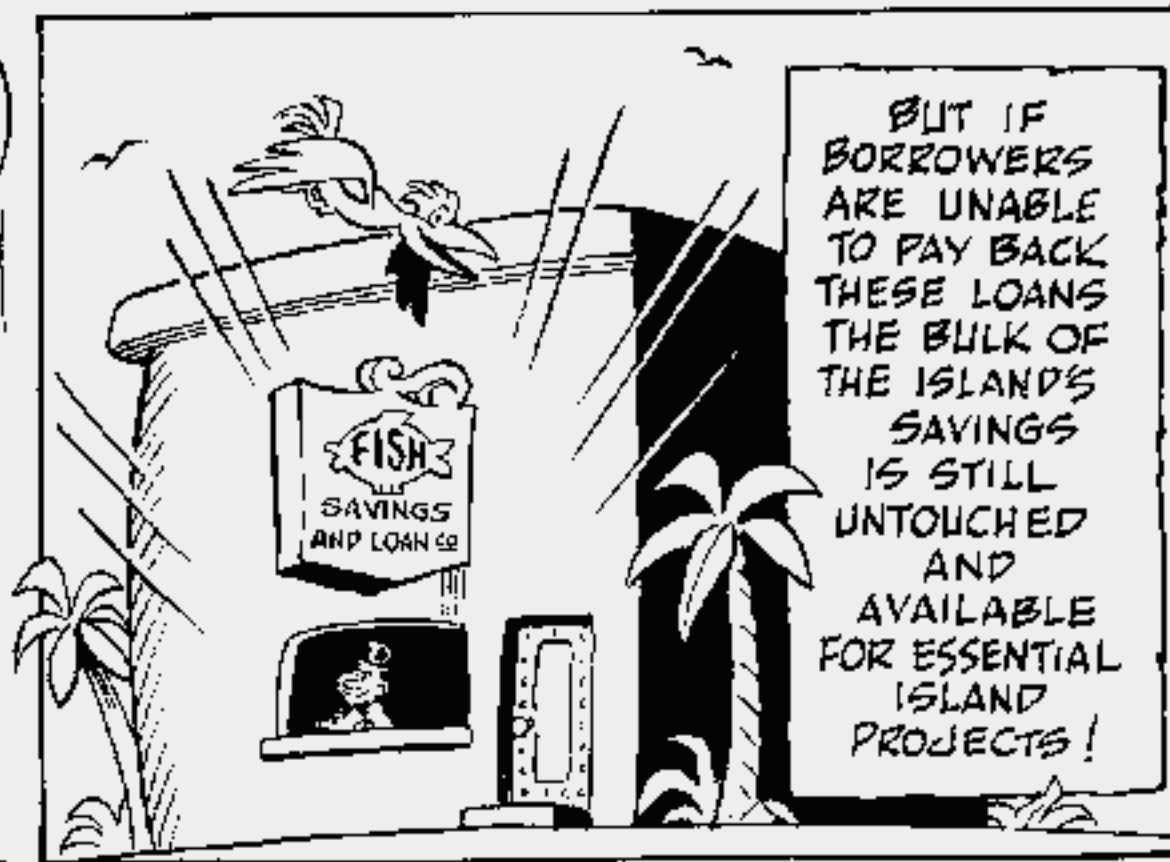
UNDER HIS WISE AND
CONSERVATIVE CARE THE
ISLAND'S SAVINGS AND COM-
MERCE CONTINUE TO GROW...



BUT
MR. GOODBANK
DOES HAVE
COMPASSION
FOR THOSE IN
DESPERATE
NEED OF
**CONSUMER
CREDIT**
DUE TO DIRE
EMERGENCY,
POOR HEALTH,
UNEMPLOYMENT,
ETC.

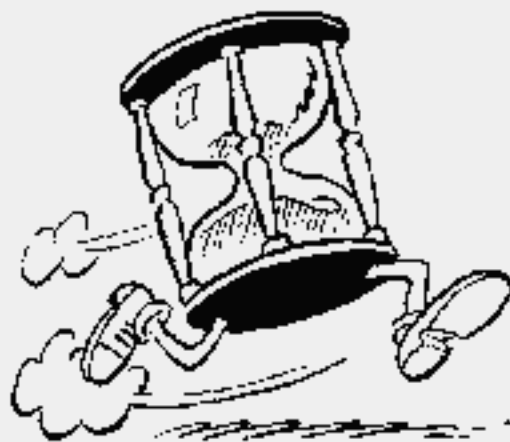


I'LL DO MY BEST
TO REPAY THIS
LOAN, SIR!



AFTER SAN FRANCISCO'S
GREAT EARTHQUAKE
IN 1906 A LOCAL
BANKER MADE STREET
CORNER EMERGENCY
LOANS TO EARTHQUAKE
VICTIMS...





NOW SEVERAL GENERATIONS HAVE PASSED SINCE THE ORIGINAL I.M. ABLE MADE HIS PERSONAL SACRIFICE AND CREATED THE ISLAND'S FIRST PIECE OF CAPITAL EQUIPMENT (A NET). THE ISLAND'S ECONOMIC AND SOCIAL PROGRESS BEGAN AT THAT POINT!



THE ISLAND CONTINUED TO DEVELOP AND PROSPER WITH MR. GOODBANK'S STORAGE VAULT AND HIS AND HIS SONS' WISE ADMINISTRATION OF LOANING OUT SOCIETY'S CAPITAL.



INVESTMENT DECISIONS CONTINUED TO BE MADE BY INDIVIDUALS...

LET'S PUT OUR FISH IN THE BANK!



LOAN DECISIONS WERE MADE BY MR. GOODBANK III (HE LOOKS JUST LIKE HIS GRANDFATHER, DOESN'T HE?)

LOAN DENIED!

LOAN APPROVED!



Enter

-42-

Manny Fund



BUT **SOME** INVESTERS WANTED TO TAKE **GREATER RISKS** FOR POTENTIALLY GREATER **REWARDS**



NO, NO...
TOO RISKY!
I WON'T
CHANCE IT!

WHY DON'T
YOU LOAN
TO THE
NEWLY
FORMED
**SLING-
FLIGHT**
CO.?

IF THAT VENTURE
REALLY FLIES
WE'LL CLEAN UP!

MR. GOODBANK, TRUE
TO FORM, WILL NOT
INVEST IN HIGH RISK
VENTURES!

AHEM!
I BELIEVE
I CAN
BE OF
SERVICE,
GENTS!

HUH? WHO
ARE **YOU**?

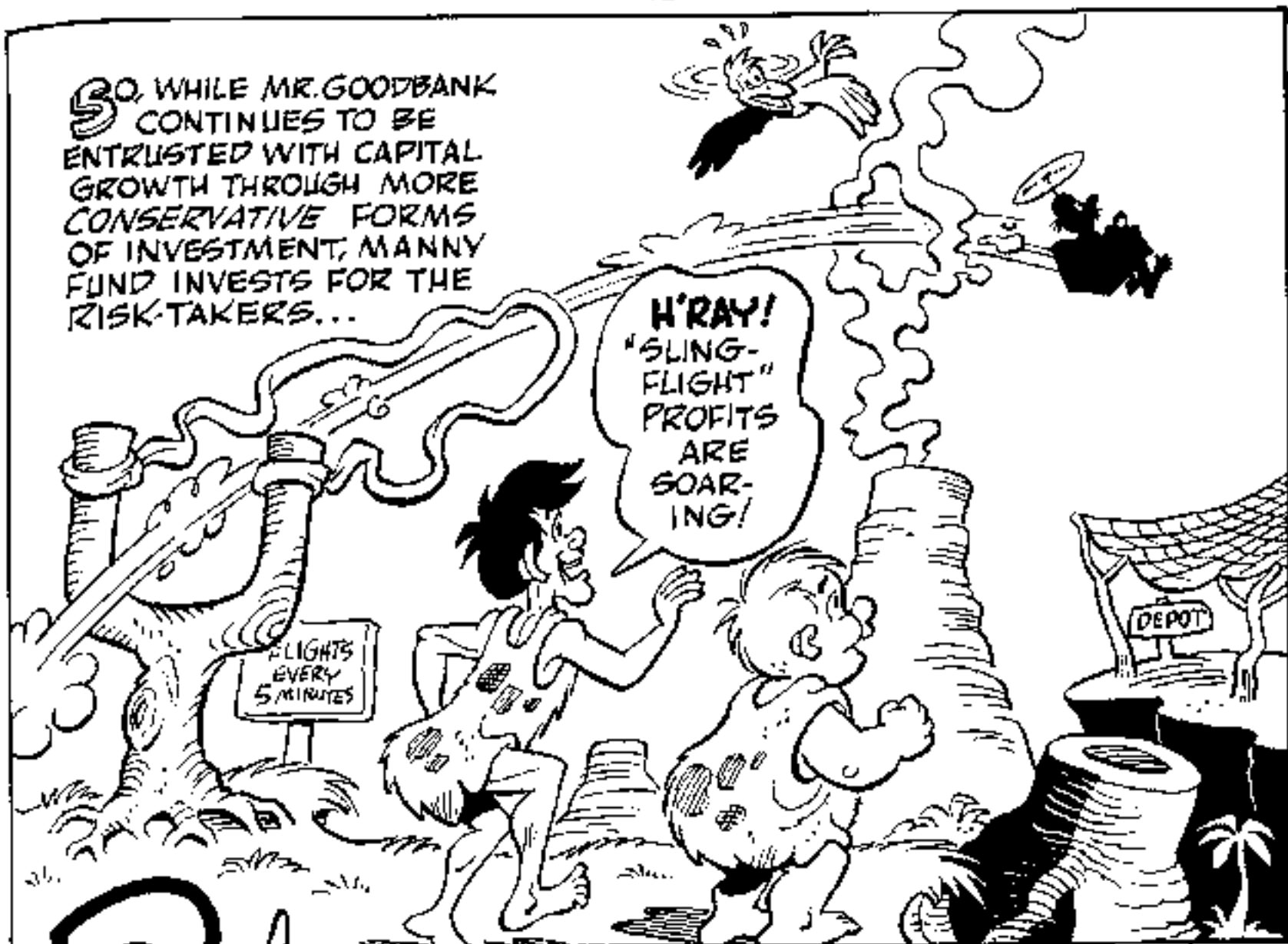
MANNY FUND IS THE NAME! POOL
YOUR RISK CAPITAL WITH ME, AND I'LL
INVEST THOSE
SAVINGS IN
HIGHER RISK
VENTURES!

YAY! BIG PROFITS
COMING! we hope!

IT'LL BE
WORTH
THE RISK!
HEY, GUYS



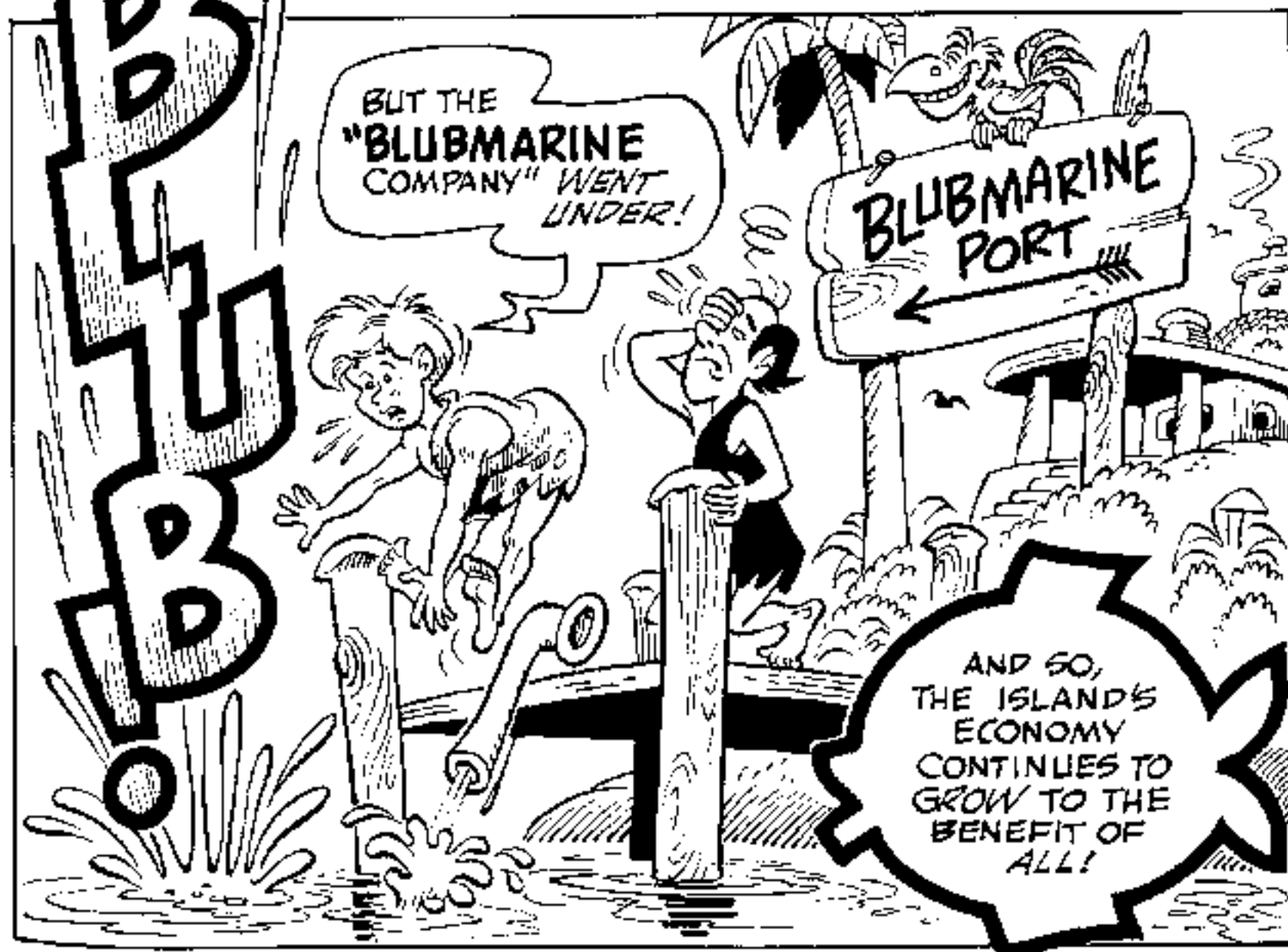
SO, WHILE MR. GOODBANK
CONTINUES TO BE
ENTRUSTED WITH CAPITAL
GROWTH THROUGH MORE
CONSERVATIVE FORMS
OF INVESTMENT, MANNY
FUND INVESTS FOR THE
RISK-TAKERS...



BUT THE
"BLUBMARINE
COMPANY" WENT
UNDER!

BLUBMARINE
PORT

AND SO,
THE ISLAND'S
ECONOMY
CONTINUES TO
GROW TO THE
BENEFIT OF
ALL!



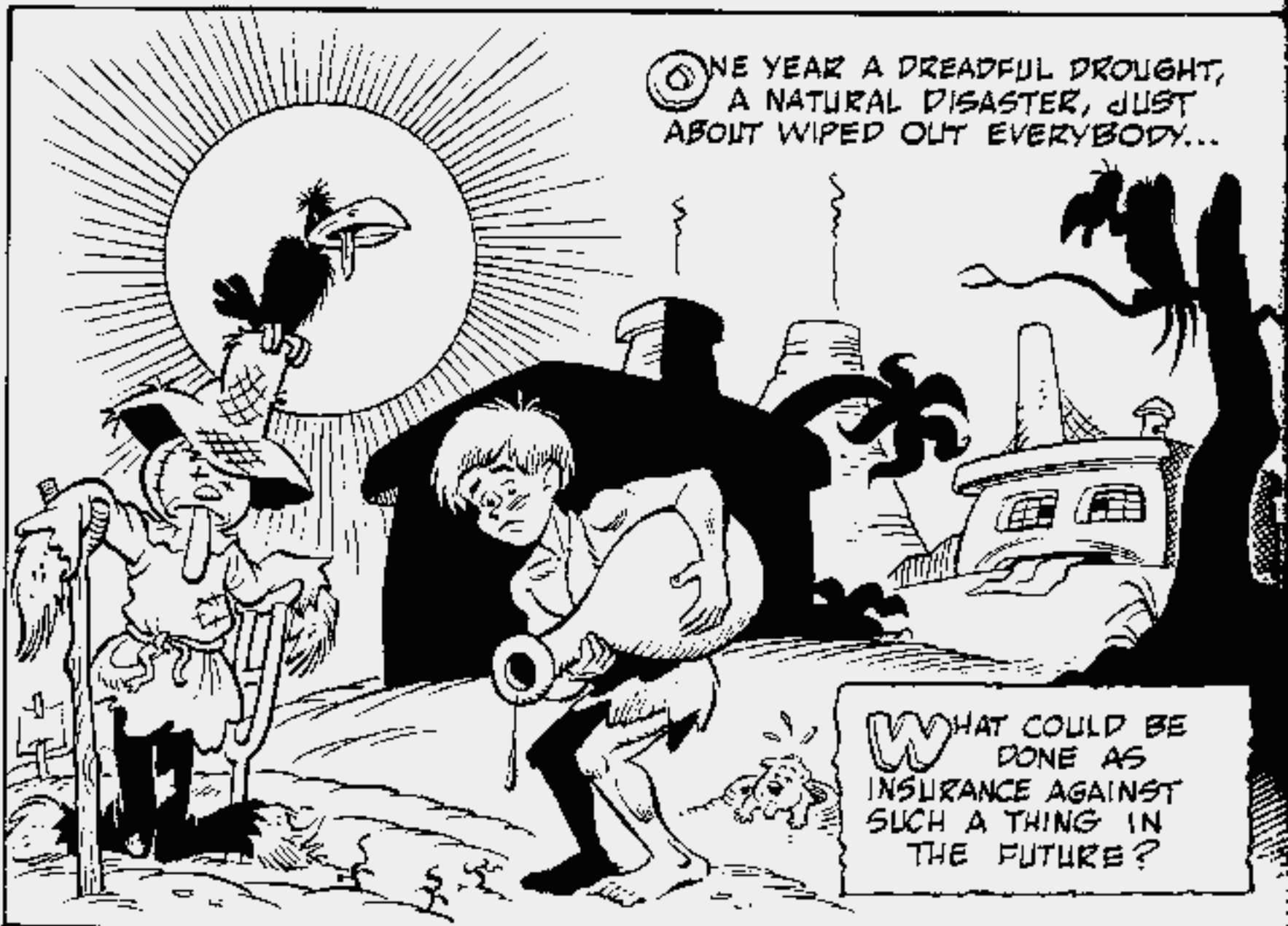
the WATER SUPPLY PROBLEM

FROM THE BEGINNING ISLANDERS
DREW THEIR WATER FROM THE
MOUNTAIN STREAM...



SO MOST PEOPLE
DIDN'T LIVE OR
WORK VERY FAR
FROM THE WATER
SUPPLY!

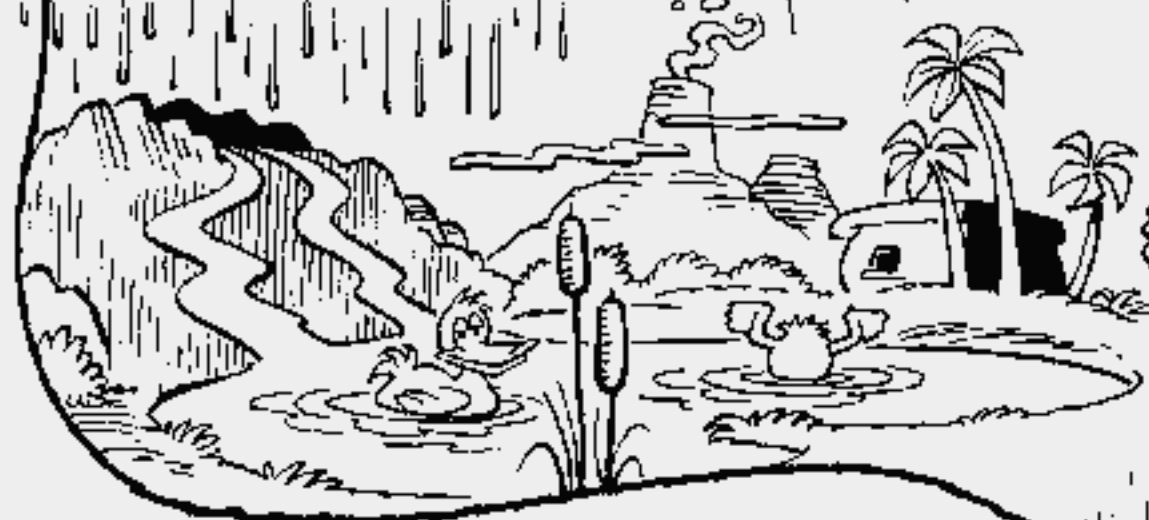
ONE YEAR A DREADEFUL DROUGHT,
A NATURAL DISASTER, JUST
ABOUT WIPED OUT EVERYBODY...



WHAT COULD BE
DONE AS
INSURANCE AGAINST
SUCH A THING IN
THE FUTURE?

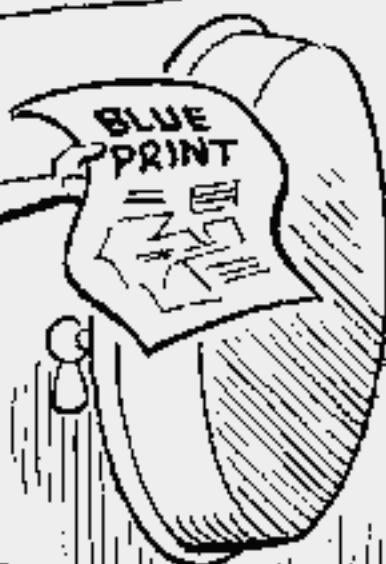
THE FERTILE MIND OF
"H₂O PEDDLER"
TACKLED THE PROBLEM...

HMM...IN NATURE RAIN
RUNOFF COLLECTS IN
PONDS! LET'S COPY
NATURE!



LET'S BUILD A BIG RESERVOIR
TO COLLECT AND SAVE RAIN
WATER FOR FUTURE USE!

MR. GOODBANK HAD
A RECEPTIVE EAR!



AND EQUALLY
IMPORTANT,
THE ISLAND'S
SAVINGS WERE
NOW GREAT
ENOUGH TO
FUND SUCH A
LARGE
PROJECT...

THEN WE'LL CONSTRUCT
A NETWORK OF
PIPELINES, ETC., ETC...

YOU'VE GOT A
LOAN FOR YOUR
PROJECT,
MR. H₂O PEDDLER!



the WATER WORKS PROJECT

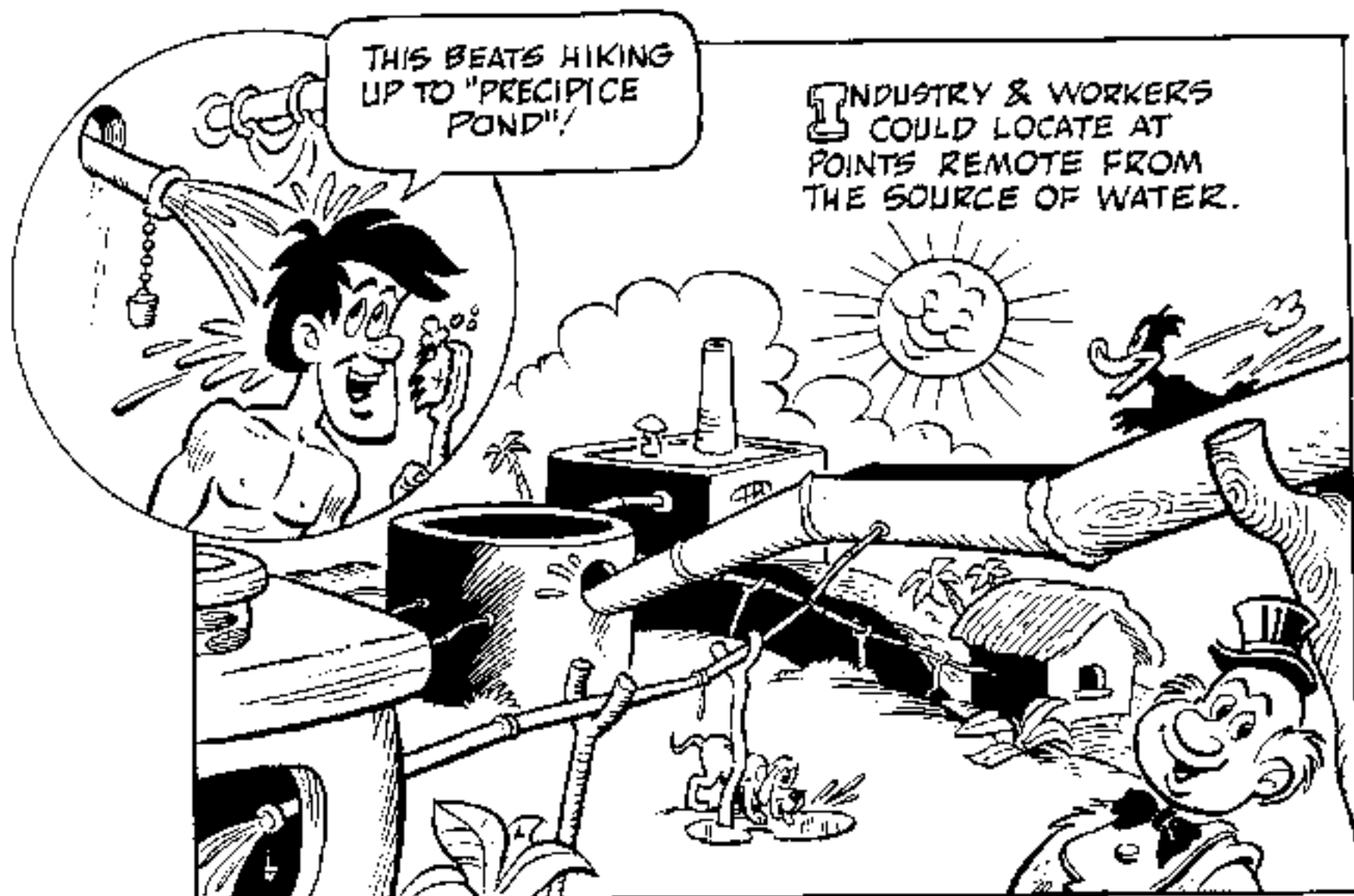
the **WATER WORKS**
PROJECT
REQUIRED AN
INVESTMENT BY
THE SAVERS
OF THE
COMMUNITY
OF
547,500 FISH
...ENOUGH TO SUP-
PORT A CREW
OF 250 MEN
FOR 2 YEARS
WHILE THEY
LABORED...



THE RISK WAS WEIGHED
AGAINST SUCCESS!
THE PROJECT, IF SUCCESS-
FUL, WOULD PAY FOR
ITSELF AND INSURE A
BETTER FUTURE FOR
EVERY ISLANDER!

the "SPLASHING" SUCCESS

OF THE WATERWORKS PROJECT FLOWED THROUGH THE ISLAND'S ECONOMY! PIPELINES, AVAILABLE FOR A REASONABLE CHARGE, BROUGHT WATER GREAT DISTANCES!



IRRIGATION MADE CROP FAILURES LESS LIKELY...



RELIEVED OF THE TASK OF HAULING WATER BY HAND, EVERYBODY NOW HAS MORE TIME AND ENERGY TO DEVOTE TO PRODUCING MORE CONSUMER GOODS AND DEVELOPING NEW CAPITAL PROJECTS!



THE WATER WORKS PROSPERED AND PAID BACK IT'S LOAN PLUS INTEREST. SO THE ISLAND'S SAVINGS CAPITAL GREW AND GREW UNDER MR. GOODBANK'S WATCHFUL CARE!

QUITE A CATCH!

WATER
WORKS

SAVINGS
AND LOAN
CO.



THE ENTIRE ISLAND ECONOMY "BLOSSOMS" THANKS TO THE CAPITAL INVESTED IN THE WATER WORKS!



BIG vs. LITTLE ECONOMICS

TO SOME ISLANDERS IT APPEARS THAT THE ECONOMICS OF PROSPERITY AND DISASTER HAVE BECOME DIFFERENT WITH BIGNESS AND COMPLEXITY FROM THOSE OF A SMALL ECONOMY...

WOW! IT'S A WHOLE NEW BALL OF WAX... OR BOX OF GEARS!



BUT THIS JUST ISN'T TRUE! BASIC ECONOMIC PRINCIPLES DO **NOT** CHANGE WITH THE **SIZE** OF AN ECONOMY... THEY'RE JUST HARDER TO SEE BECAUSE OF MORE COMPLICATED AGENCIES...

...AND TERMINOLOGY. DIRECT RELATIONSHIP BETWEEN SELF SACRIFICE, SAVINGS, CREDIT, INVESTMENT, ECONOMIC INCENTIVE, SOCIAL AND ECONOMIC PROGRESS IS ALWAYS THE SAME!

SIMILARLY, THE PRINCIPLES OF MATH DON'T CHANGE WITH THE **SIZE** OF THE PROBLEMS...

IT'S STILL ADDITION!



Ledger:
1,302,689.10
3,091.60
750,981.03
3,172,262.00
+ 568,18.19
5,797,948.13

GOVERNMENT on the ISLAND

SELF
GOVERN-
MENT
WAS THE
BOTTOM
LINE...

I MIND MY OWN!
EVERYBODY ELSE
DO LIKEWISE...
OR ELSE!

SETTLING DISPUTES AND
CRIMES OF PASSION
HAD LONG BEEN SETTLED
BY THE ISLANDERS IN A
VERY DIRECT AND PERSONAL
MANNER...

KEEP OUT

C'MON, PAW...UNCLE
NED! THE VARMINT
STOLE OUR HEN!

GO GIT
HIM
BOYS!

THIS
CONTRACT
IS VOID!

RIP!
RIP!
RIP!
RIP!

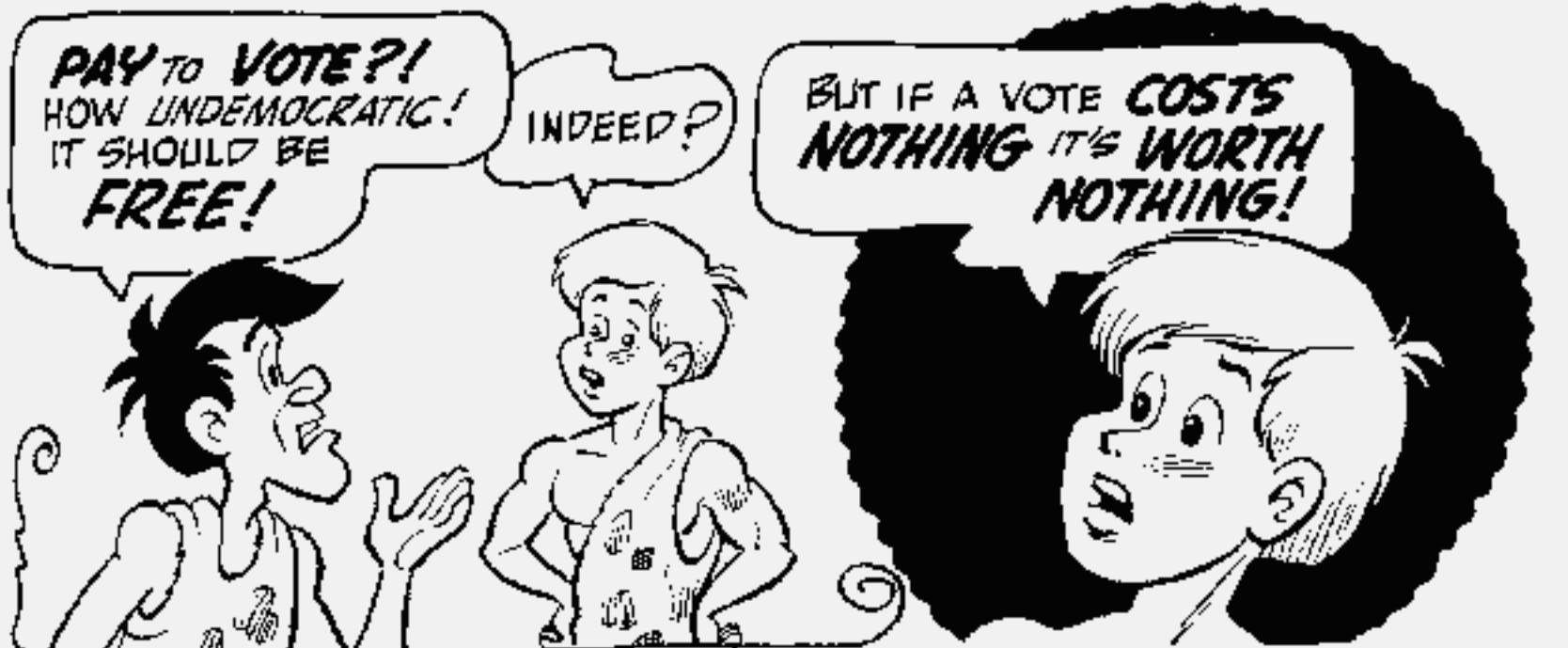
YOU
CAN'T DO
THAT!

CAN
YOU?

STICK
'EM UP!

HELP, SOMEBODY!
P- PLEASE!

BUT
SELDOM
WAS
THERE
ANY
HELP
AROUND!





IN GOVERNMENT IF YOU WANT
A SAY, THEN YOU'VE GOT TO PAY!

OKAY!

IT'LL HELP
DEFRAY THE
COSTS OF
GOVERNMENT,
TOO!

LET THE **STUPID** and **WHO-CARES** CITIZEN STAY HOME! IF HE PAYS
TO VOTE HE'LL PAY MORE ATTENTION TO THE ISSUES AND THE
CANDIDATES...



HOLD IT!
MR. GOLDSMITH
IS RICH... HE
SHOULD PAY
MORE TO VOTE!

WHY IS
THAT?

RICH AND POOR ALIKE
WILL RECEIVE THE
SAME BENEFITS
FROM GOVERNMENT
... PROTECTION OF
LIFE, LIBERTY, AND
PROPERTY!

LIKE GOING TO THE THEATER...THE PRICE IS THE **SAME** FOR **EVERY-**
BODY...EACH PERSON ENJOYS THE **SAME** ENTERTAINMENT...



OKAY...YOU WIN AGAIN, MR. JUSTICE
...EVERYBODY SHOULD PAY THE
SAME TAX TO VOTE!



HUH?
LOOK WHO'S
COMING TO
VOTE!

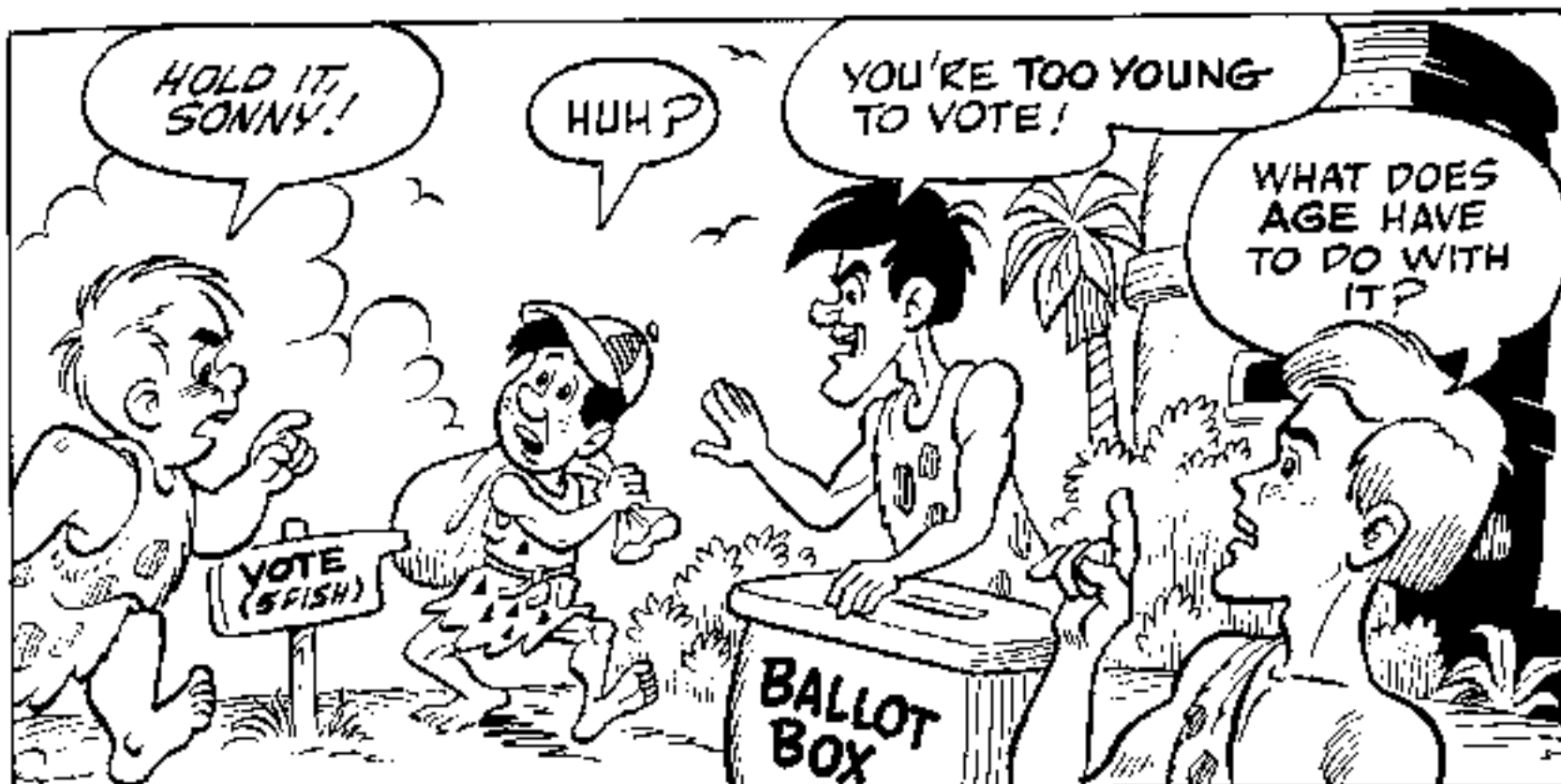


HOLD IT,
SONNY!

HUH?

YOU'RE TOO YOUNG
TO VOTE!

WHAT DOES
AGE HAVE
TO DO WITH
IT?



I WORK! I'M A PRODUCTIVE
MEMBER OF SOCIETY, AND
I'LL PAY THE 5 FISH TAX
TO VOTE!

ER...UM...
YOU'VE GOT
ME THERE,
KID!

ON THE OTHER HAND,
THAT OLD HOBO CON-
TRIBUTES **ZERO**
TO OUR SOCIETY AND
HIS JUDGMENT IS
QUESTION-
ABLE!



WHY PAY TO VOTE?

SO I CAN HAVE
A SAY IN WHAT
KIND OF MEN
ARE ELECTED!

5 FISH IS A CHEAP PRICE
TO PAY FOR CONTROL OF
ECONOMIC AND SOCIAL
JUSTICE!



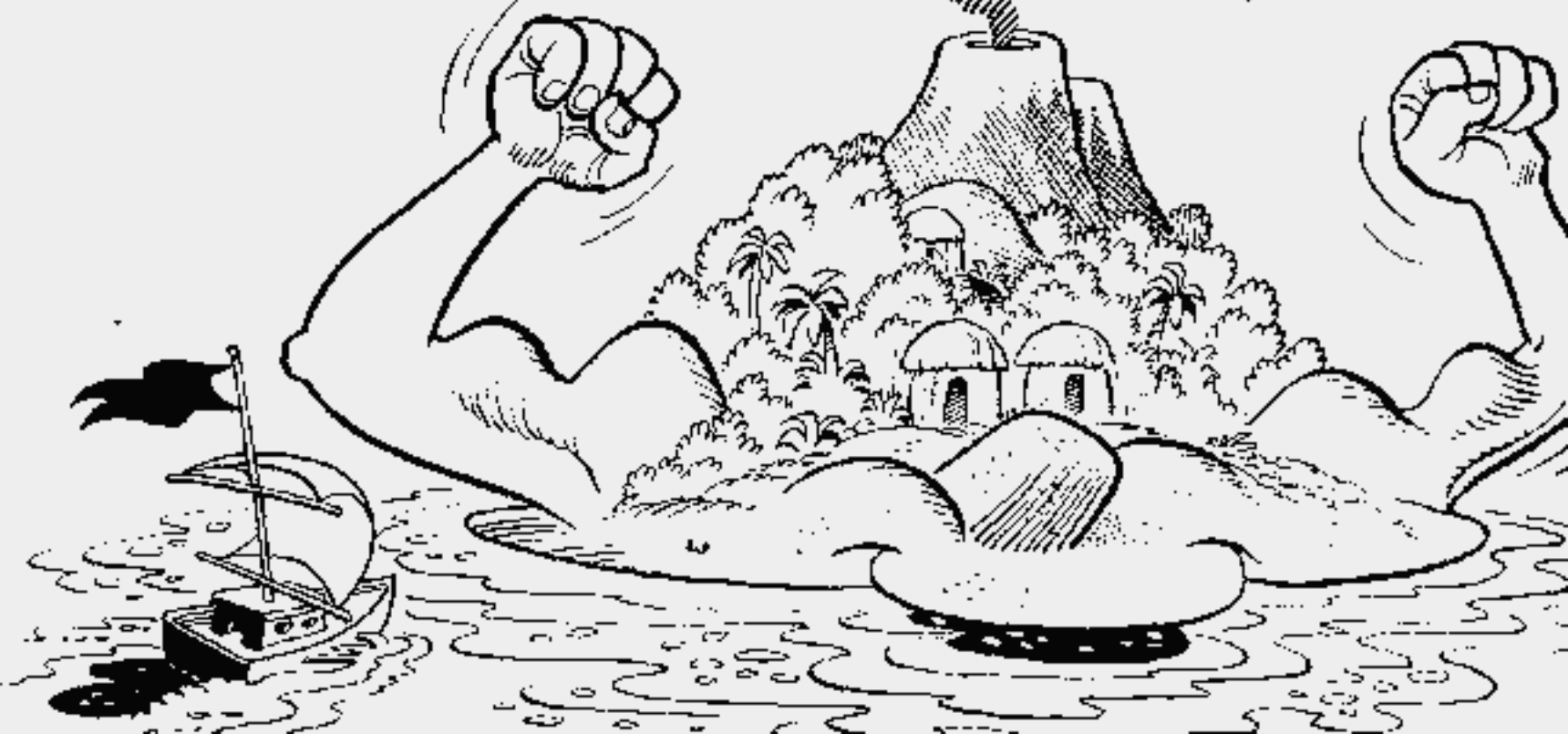
SOME OF THE ISLANDERS, OF COURSE,
WOULD NOT HAVE GIVEN EVEN ONE
FISH LET ALONE FIVE, TO PROMOTE
ECONOMIC AND SOCIAL JUSTICE!
FORTUNATELY, THEY DID **NOT** HAVE A
VOICE IN THE ISLAND'S GOVERNMENT!

WHO CARES?!




AND SO, WITH THE ENFORCE-
MENT OF JUST LAWS, AND
THE COURT SYSTEM ENFORC-
ING CONTRACTS AND DISPUTES
AMONG TRADESMEN, TRADE
WAS FACILITATED, AND THIS
FURTHER INCREASED THE
DIVISION OF LABOR, INCREAS-
ING ECONOMIC BENEFITS FOR
ALL...TAXPAYERS AND NON
TAXPAYERS ALIKE!

THE ISLAND'S ECONOMY
CONTINUED TO GROW,
AND EVERYBODY
PROSPERED!



DEMOCRACY

REARS ITS UGLY HEAD




A FEW MORE GENERATIONS PASS, AND THE POLITICAL COMPLEXION OF THE ISLAND HAS CHANGED! IN A BURST OF DEMOCRATIC FEVER **EVERY ONE** ON THE ISLAND HAS BEEN GIVEN THE VOTE!



VOTER'S BUS



VOTE



SENATORS ARE NOW HIGHLY PAID INDIVIDUALS, WHO SEEK OFFICE MORE FOR MONEY AND POWER THAN FOR THE HONOR OF DISPENSING JUSTICE...

Senate Seat

MANY OF THEM SPEND SMALL FORTUNES TO GET ELECTED!

SENATORS ALSO "PAY" THEIR WAY INTO OFFICE BY DISPENSING FAVORS WHICH WIN VOTES!

