

**What Creates wealth? Do leaders, entrepreneurs create wealth? If so, how?**

I personally do not see wealth creation as out of great leadership or entrepreneurship. Leadership and entrepreneurship help, but they do not create or significantly magnify the process of wealth creation.

The conditions that create wealth are:

- Capitalism – specifically the cornerstone of the capitalist system, property rights.
- Free Markets – relative transparency and ease of title transfer speeds the whole process of wealth creation
- Consumers – you need consumers to sustain and expand markets. The wealthier and the more diverse the consumer, the greater the range of goods consumed, and the more sustainable a market based economy becomes. When all consumption is narrow subsistence based, economies are limited and fragile.
- Supply side inputs – land, equipments, workers, regulations, etc. The better the inputs, the more capable the economy is to produce more goods at a lower price, which in turn grows the options for the consumer in both quantity and choice.
- Natural human behaviors. People like wealth, and they strive to attain it. Most of the time, social conditioning prevents a complete “free for all”, but basic human behavior is to want more, and to get it. This is the basis for the “entrepreneurial” spirit so often discussed. It is also contributes to most sociopathic behaviors.
- A certain level of security. Beyond the security of title associated with property rights, people like a certain level of physical, personal security, along the lines of Maslow’s Hierarchy of needs.

No single individual creates the above conditions, and therefore no individual can claim he or she “created” wealth. They may have facilitated some small portion of the process, speed it up if you will, but *the process itself is inevitable*. At best, entrepreneurs may be the midwife of innovation, but never the creators of a society’s “life” in the form of wealth.

Let us consider a society with an abundance of berries. Every one in the society picks a gallon of berries everyday, and that meets all their needs. Because different people have different abilities and application to work, some people gather their berries in 4 hours, some in 8 hours, and some in 12 hours.

The fast pickers would be better off then the slow pickers, because of their skill. They would accrue both the benefits of the berries, and the wealth of free time. They would do this on their own merit.

But they would not be the creators of the wealth. The wealth was the berry patch. They are just really good gatherers.

If we taxed the fast pickers and redistributed their berries to the slow pickers, we might achieve an equal working hours for all. From each according to ability, to each according to need! A workers paradise! And if we pass a law saying the workday is only 8 hours for all, the paradise is assured.

This might however be demotivating for the fast pickers. They may start to pick more slowly, or take more breaks. While the aggregate hours worked in the society might stay the same, the quantity of the berries picked might drop overall.

And what would be the impact of a situation where the fast pickers used their free time to expand the berry patch? If the expansion is essentially a public good, things should be better if more berry patch is needed. If trading berries for beer, with the neighboring tribe the Louts, we may get into the benefits of comparative advantage, even if the goods are not fully publically owned. If we taxed too hard we might lose that benefit.

If the fast pickers expand the berry patch, are they creating more wealth? And do they own all that wealth? Some of this depends on whether you believe they own, or society owns, the ground the berry patch is expanded on. Is the land owned by the group, and therefore does the group have the right to benefit? What type of social contract exists within the group? In situations where an outside group is expanding into a second, indigenous people's group, this is easier to answer because the outside, invading group just kills the indigenous group and takes what they want. In groups with some internal cohesion, inside communities, this is a much harder question to answer. The social contract is important, and it usually involves not stealing from each other or killing each other.

What if the berry patch expands naturally? Say birds or such take the berries outside the patch, by defecating the seeds from consumed berries? What if the fast pickers take a holiday and defecate outside the patch the seeds that blossom into a glorious new berry patch? Who owns that?

Now imagine if you will two very fast pickers, like Bill Gates and Steve Jobs. Suppose the Romulan empire wants to get Captain Kirk out of their hair once and for all, and decide to travel back in time to kill Bill Gates and Steve Jobs mothers, before they were born, in order to keep humans from acquiring PCs and I-phones. If they accomplish their mission, and Bill and Steve never exist, do we think PCs and I-Phones would never exist? Do we think that the seed rich defecations of Steve and

Bill created the smart phone and PC industry? Do we think that the industry would not exist without them? <sup>1</sup>

Of course we do not think that. Someone else would have come along and been the mid-wife of these innovations. Steve and Bill may are smart guys, but they did not “create” the industries that they accrued or gathered their wealth from. This does not mean they do not deserve wealth, at least some of it, but it does mean I do not think they created it. Fundamentally the wealth was created by the society. Their portion is determined by the social contracts within the society.

So how does this all affect tax policy? The fact that society creates wealth, not individual entrepreneurs, is an important consideration. How should we tax and distribute society’s wealth?

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<sup>1</sup> FUUUUUUUCCCCCCK NOOOOOOOOOOOO Dumb Ass! And stop listening to you Republican overlords...