

## An Economic History of Mankind

Based on the essay *The Problem of the Twentieth Century*<sup>1)</sup>

This outstanding essay, *The Problem of the Twentieth Century*, published in 1981, states " ... *the Age of Abundance is upon us. Man need never again go hungry or cold unless he wishes to do so. Natural resources abound, machines necessary to convert them into goods exist, and men are trained to operate these machines. Furthermore, we can manufacture as many machines as we desire ... . Nevertheless, many people today are still cold, hungry, and sick.. In the past, when men starved, they did so because it was impossible for them to produce enough to eat. The Twentieth Century was the first, however, to see men cold, hungry, and idle in the midst of plenty!*"

The authors, Willard and Marguerite Beecher go on to describe *The Problem of the Twentieth Century* as:

*... many people today are still cold, hungry, and sick.. In the past, when men starved, they did so because it was impossible for them to produce enough to eat. The Twentieth Century was the first, however, to see men cold, hungry, and idle in the midst of plenty!*"

The authors also provide a detailed understanding of why in a world of plenty, people today are still cold, hungry and sick.

The authors give credit to scientists, engineers, farmers and workers for advances in technology and productivity that made this Age of Abundance possible.

The Beechers faulted those "businessmen" who kept prices and their profits up by curtailing production, paying low wages and with layoffs. This keeps many in poverty and debt and provides even more unemployed workers willing to work for even lower wages. Today's "businessmen," as described by the authors, include many of the executives of our banks and financial institutions.

Not all businessmen and public servants are corrupt, Henry Ford cut work week hours in half hours and paid his employees enough to be able to buy the cars that they built. He was attacked by the editors of the Wall Street Journal who said that his paying reasonable wages was criminal.

The essay concludes with "*Probably, the forthcoming economic breakdown will be handled on a worldwide rather than on a national basis. Only one thing is certain: the resulting system will have small resemblance to what exists now. The Battle of Production has been won, and the Battle of Distribution is in the making. It will begin with the abdication of the businessman and it will end only when methods have been found to distribute Abundance.*"

We are currently in the *economic breakdown* – the massive worldwide recession/depression -- which was predicted by the authors. Even though the depression and the current abject failure of financial systems was caused by these "businessmen"<sup>2</sup>, they have not and will definitely not abdicate on their own.

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<sup>1</sup> " The Problem of the Twentieth Century," Chapter 5, from the book Sin of Obedience by Willard and Marguerite Beecher, is reproduced here with permission of the Beecher Foundation.

<sup>2</sup> "Businessmen", whom the Beechers faulted for their scarcity model and keeping prices and their profits up by paying low wages and curtailing production with layoffs, include many of the executives of our banks and financial institutions

Not only will the businessmen not abdicate. Many of them are profiting from their failures and the recession to the tune of billions of dollars. Since this article was written in 1980, the businessmen have become even much richer and seemingly more important and powerful. They own/control most of the banks, financial institutions, major corporations and the media. They and their representatives occupy key positions in the new administration and Congress. They essentially exercise control over key individuals in all three branches of government, the Federal Reserve and the various regulatory agencies.

At the same time many of the engineers, farmers and workers responsible for advances in technology and productivity that made this Age of Abundance possible are going deeper into debt to the businessmen.

Banks are obtaining funds from the Federal Reserve and the government at very low interest rates. For example 0.38% for the very large banks. They charge exorbitant interest rates, over 35%, compounded daily, on the money that are willing to lend. These banks and financial institutions foreclose on homes, small farms and businesses and pay their executives hundreds of millions in salaries.

In the richest country in the world, at least the one with the most millionaires and billionaires, we have many children being born homeless thanks to these bankers, businessmen and our politicians.

Happily, the people are wising up to the fact that it is these businessmen and politicians who are behind the increasing unemployment, foreclosures and bankruptcies.

The time is ripe for the people to force the *businessmen to abdicate* and for the people to find and implement the *methods to distribute Abundance*.

## **The Problem of the Twentieth Century<sup>1</sup>**

by

Willard and Marguerite Beecher

Our common habits for living together were established long before machines began to do our work for us. Unfortunately, the way of life that suited men who survived by the work of their hands will not accommodate modern man, for whom machines have assumed most of the manual labor. We now live in an age of power, and the following discussion is an attempt to predict the development of the human race depending on how we use this power. Power is like a razor. It must be used wisely. We never give a razor to a baby; but some wry Fate has given the rather infantile human race limitless power faster than we have developed the wisdom to use it, Now we must grow up or perish: the choice is ours.

While the human race was still young, man had only his own muscles and a glint of practical experience to help him wrest food and shelter from this unwilling earth. Of all the animals inhabiting this ball of mud, few are so poorly prepared by nature for physical survival. Man evolved weak, hairless, clawless, and otherwise badly fitted for defending himself. Moreover, he endures a longer childhood than other animals, and must be as much as twenty years old before he can fend for himself. The only reason he has managed to survive has been his ability to join with his fellow creatures and divide the task of gaining security. Alone, he could only have perished.

In prehistoric days, man suffered a most frugal kind of existence. He was the ready prey of vicious animals, famine, and disease, while he had only his two hands to help him. But a series of

lucky accidents brought him fire, tools, weapons, and other gadgets which mitigated his fate. He learned to domesticate and cultivate grains, and such rudimentary advances were passed on to succeeding generations as man moved along the path to conscious production of necessities. As he became more efficient at doing so, larger populations became possible and the human race spread over the face of the earth.

But human fecundity always outstripped the ability of mankind to provide the means of subsistence; scarcities always existed. Famine, disease, and wars waged to steal from other tribes suppressed the total population to a number that could be fed and supported on the amount of materials that could be produced by primitive means. But man slowly gained in his race against continuing disaster as discoveries multiplied, with each one making life easier for the group and consequently encouraging survival for ever-larger numbers.

Although man has existed on this earth for tens of millions of years, for only about five thousand has he been able to leave any written record of himself. Only the most rudimentary existence has been enjoyed by mankind for the vast bulk of its history, and some primitive civilizations never even discovered the use of metal, let alone horsepower to make work lighter. As long as man relied only on his own hands, back, and domestic animals to furnish power, the race always tended to reproduce faster than its ability to develop subsistence and shelter. Periodic famine, wars, and pestilence would have had to compensate for the overpopulation that accrued during the fat years. Not until the last part of the Eighteenth Century with the invention of the steam engine did man get his first real chance to win the race against starvation. Though wind and water had harnessed inanimate power to some degree, steam was the first true technological breakthrough. For the first time in history, vast multiples of the productive power of man became a genuine possibility. Almost simultaneously, the Spinning Jenny and the power loom were invented. The Age of Abundance, in theory at least, was soon to be upon us and the lives of everyone in the world were about to be changed.

At the time the steam engine was invented, the peoples of the Western World had lived for many years in the Era of Handicrafts. The fireside was both the social and the industrial unit. Spinning, weaving, shoemaking, and other crafts were practiced mainly in the home. Master crafts men taught their skills to their children who became the craftsmen of the following generation. Except for cities, which were seaports surviving by commerce, life was confined mostly to small villages which were virtually self-sufficient so that little communication took place between one community and the next.

**Unemployment was virtually unknown**, for all the members of each family unit had to work from dawn to dusk to provide enough for itself and the small surplus necessary to exchange for necessities it could not produce. There was little or no formal schooling for anyone, and children began to help their parents as soon as they were able to manipulate the simplest tools. After working their entire lives, old people retired to the fireside of their children and continued whatever tasks could be managed by their failing bodies. Almost everyone toiled at something throughout life, and still it was not possible to supply the needs of everyone.

The first dramatic changes in mankind's way of life were signaled by the invention of the Spinning Jenny, the power loom, and the steam engine. These devices and fireside production could not coexist and the home could no longer continue as the industrial unit of the community. People had to migrate to those spots where the new machines were located so the modern city began to develop around these concentrations of power and invention. Suddenly, the very old and the very young were out of jobs. The stability of the family life gave way under the uprooting influences of factories. As people went on the move, there came the end of the craftsman and the era of handicraft. People lost their roots in the community once they became hired hands instead of craftsmen.

One of the most lasting products of the age of handicraft was the viewpoint on private

property or ownership that emerged during that period. These views remain with us today almost unchanged though we now live in the Age of Power. Endless difficulties have resulted. When everything was made by hand, it seemed both natural and right that a man should own what he produced. This theory was described as the Natural Rights of Man, in which the craftsman was a godlike creator and his creations were his to dispose of as he saw fit.

The advent of the machine introduced a nonhuman factor into the picture that was once so simple. Now it was the machine that was the creator, not the man. To whom, then, did the product belong? philosophically, this problem has never been answered, and it is the ghost at the banquet of potential abundance today. In practice the problem was solved easily enough: the man who owned the machines kept the product and gave the man a “wage.” As hired hands emerged, the craftsman who put his heart into his work soon passed out of existence during what we call the Industrial Revolution.

Early inventions were still mostly lucky accidents; not until later was the Age of Inventing Inventions. The Nineteenth Century was spent perfecting and spreading the usefulness of those inventions that inaugurated the Industrial Revolution and in expanding the commerce made possible by vastly increased production. But this proliferation of business created the Merchant Prince and later the Businessman.

In the earliest days, a single man or a few partners owned the means of production. They ran the factories and also handled the financial arrangements of their enterprise. In the sharp competition that developed, it became necessary for them to delegate the running of the factory to “experts” while they turned their entire attention to financial management. The ready surpluses piled up by the machine caused sharp fluctuations in prices that had to be watched. Thus, what we call the Profit System came into existence and it became the job of the businessman to watch only the net profit of his efforts. If production grew too fast, he had to stop production or slow it to the pace necessary to maximize net gains for himself.

Quite aside, but certainly not apart from all these swift developments, another tendency was growing almost unnoticed. This advance would have been impossible except for the efforts of an irreligious group of men who had no legitimate place in their own time --- the scientists. Men had been satisfied to ascribe all phenomena to super natural forces. Gods-kindly and gods-bilious “caused” both the good and bad events that befell mankind. For any change, men had to appeal to their gods through a priestcraft supported for just that purpose. However, after thousands of years, alchemists began to find the natural laws of matter while seeking ways to change base metal into gold. In time, alchemy evolved into science, which began to clear away the log of supernatural mystery and illuminate dependable relationships that men could refer to, such as those in chemistry, physics, mechanics, electricity, medicine, and higher mathematics.

The habit of thinking in terms of scientific laws spread throughout the general population. People were jolted when they realized that most diseases arose from micro-organisms rather than God’s desire to punish them. Plagues and virulent diseases were conquered, and thousands lived who would have died in earlier generations.

Similarly, when men came to realize the potentialities of machines, they began to fashion many ways of relieving themselves of the slow, tedious manual processes of their fathers. Machines could produce more goods in a shorter time with less labor. Thus, people could not only live longer but in greater security. Man was on the path that would soon lead, him to victory over Scarcity, the oldest enemy of the human race.

All of the above advances were made before the current century. But around 1900 came the most startling advance of all: the science of inventing invention’s developed and techniques of modern research evolved. The amount of scientific information had grown and spread so widely that these principles were applied to all kinds of human needs. Each discovery made possible

countless other discoveries and inventions multiplied with increasing rapidity. Where it took a hundred years for people to become accustomed to the impact of the steam engines and other early technologies, we of the Twentieth Century have had to adjust in fewer than fifty years to devices much more staggering to the imagination. Each invention has enormously magnified the power of each individual, even though our “morals” are still grounded in the Eighteenth Century. Fate has, indeed, placed a razor in the hands of a baby.

Now the Age of Abundance is upon us. Man need never again go hungry or cold unless it wishes to do so. Natural resources abound, machines necessary to convert them into goods exist, and men are trained to operate these machines. Furthermore, we can manufacture as many machines as we desire and we can train many more to run the machines, just as we can enrich the soil to produce abundant food and train people everywhere to do likewise. The whole world now has the capability to support itself free from want and almost free from disease.

Nevertheless, many people today are still cold, hungry, and sick. It is far easier to invent an invention, unfortunately, than it is to change a habit of thought — especially if this habit is practically as old as the race. Men have lived so long with the fear of hunger and scarcity that they have no methods for surviving with abundance. In the past, when men starved, they did so because it was impossible for them to produce enough to eat. The Twentieth Century was the first, however, to see men cold, hungry, and idle in the midst of plenty! For the first twelve years of the Great Depression in the United States, there were stores of merchandise, fertile ground, natural resources, trained manpower, machines, and technical know-how, yet they all went unused. Why?

The problem was one of distribution. At the beginning of the Depression, no one could that what had happened to the economy. Businessmen believed that the situation would right itself, but as years passed, it became evident that there existed a fundamental sickness too severe to cure itself. Some people realized that the solution of the problem of production did not carry along with it the solution to the problem of distribution. Since, during the Age of Scarcities, there could never be enough goods to support all the population in any degree of security, it is not surprising that customs and habits grew up to determine how goods and services should be apportioned among themselves. Laws governing “Ownership” were formed to keep property in the hands of those who held property and to make it difficult for those who had none to get hold of goods and services. Since there was never enough for all, any increase for one person or group had to be made at the expense of others there was no way to increase the total store of goods; someone had to produce things and also he obliged (by law and custom) to surrender more than his share to the few who controlled his production.

This, of course, was a workable arrangement during the Age of Chronic Scarcities, for it guaranteed the survival of a portion of the race in times of famine. Another benefit lay in the fact that this group was relieved of the heaviest burdens so that it could develop the arts and sciences in its leisure. Unfortunately, the majority had to suffer.

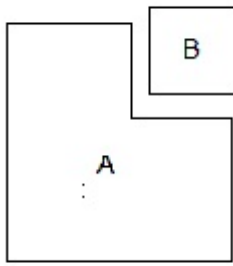
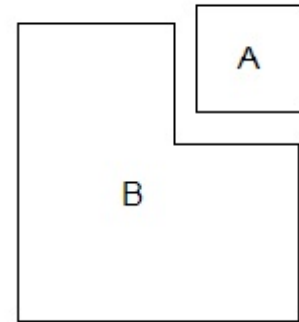


Figure 1: Before – mankind learned how to invent inventions and run them by inanimate power, all the inhabitants of the world working to full capacity, could not produce enough to escape chronic SCARCITY. Group A worked to support B, and in times of extreme hardship (war, famine, etc. ) A (the masses) were sacrificed to preserve B (the elite who controlled production)

Figure 2: After – mankind learned to invent inventions and run them with power taken from coal, oil, and waterpower. Now, a small fraction of the world (A) can produce enough goods for themselves and the remaining population of the world. Each year, as inventions improve, fewer workers are needed in production. Thus, the trend of modern civilization is toward unemployment



As commerce and industry grew, a price system was developed to simplify the distribution of goods and services. We now call this the Profit System, the basic idea of which was to give as little as possible for a maximum return. The ideal of Profit is, in fact, to get something for nothing and anything approximating this ideal is described as a “good bargain,”

Then, as now, our method of distributing was designed to produce goods at the smallest cost and charge whatever the market will bear. During the infancy of the industrial age, this tended to work, since it prevented people from trying to buy more than could be produced. But it also kept the majority of them in poverty while forcing them to keep producing at the greatest possible speed. It would not have been sensible in those days to allow the easy dissipation of goods, and the profit system effectively thwarted this danger.

Under the profit system, if more goods are produced than the amount that can be purchased by the total wages paid, a surplus will exist. This excess is called “overproduction,” although it bears no relation to the needs of men who are actually hungry: the Great Depression was said to have resulted from “overproduction,” despite the fact that some people were eating crusts from garbage cans. The ugly fact is that “overproduction” only means that we have produced more than can be sold at a profit to the owner.

Overproduction is the vicious by-product of machine age technology coupled with the price system. When goods were produced by hand, the time consumed making each article prevented overproduction of every kind. But as machines became more efficient, each could do the work of many men, but they never received in wages an amount equivalent to the increased production.

This was compensated, to some degree, by a fall in overall prices of goods. But under the profit system, there was always a larger profit for the owner than for the worker; the old system was not modified as technology advanced. Moreover wages and employment opportunities actually shrank, because younger and older groups were no longer needed.. And because wages

and employment did not spread along with production, larger amounts of goods were produced than could be sold inside industrialized countries. The so-called “overproduction” was shipped to South America, Canada, China, and other countries which had no machines. In return, we received raw materials and useless gold, which we could accept without disturbing our something-for-nothing policy. But technology began to spread everywhere as many countries which supplied raw materials industrialized and began to “overproduce.” Everywhere businessmen made sure that the selling price remained far ahead of the cost of production even though agricultural countries began to fabricate their own materials.

Contrary to popular opinion, the two World Wars were not fought to gain access to raw materials — they were fought to win and extend new dumping grounds for “overproduced” materials. No longer able to market our overproduction at home, we fought with other industrialized nations for the remnants of the world market.

Why have we been unable to utilize our actual production? At no time have we given our own citizens all the necessities of life, since there are millions who are still badly fed, clothed, housed, and doctored. Why not use our bounty to enrich the lives of those in need, especially the inhabitants of our country? Why were we unable to engage our unemployed to work on the unprocessed raw materials and machines which lay idle during the Great Depression? The reason is that our, Profit System won’t allow us to do so. As we have noted, our legal and cultural systems regarding goods and property were developed during an age of worldwide poverty. So long as scarcity continues, the system works splendidly.

But when abundance begins to appear, the same system crumbles; it was never designed to deal with plenty! The “businessman” who operates so successfully when wealth is scarce is hamstrung when Plenty abounds. He, however, has persisted thanks to a myth that still surrounds him — the superstition that he created the proliferation of goods that now surrounds us — and the businessman frequently believes this himself, although the facts do not bear him out. In fact, the engineer and the scientist made possible the technology for production, while working people used these techniques to manufacture the goods. The businessman merely engineered the exploitation of their efforts for his personal profit — nothing more.

Engineers, ordinary workmen, and machines, undirected by businessmen and unhampered by the price system could produce most efficiently until the need for goods was satisfied. But the price system still exists, under the guardianship of the businessman. As production spirals to the point of overproduction (where profits are threatened), it is the job of the businessman to administer the proper amount of sabotage in the form of layoffs, slowdowns, and unemployment to maintain that degree of scarcity necessary to the functioning of the price system. Though the profit system once aided the survival of the human race, it now obstructs any further spread of the benefits of technology. The price system and our antiquated notions about property combine to prevent us from living in a genuine Age of Abundance.

For example, at the beginning of the Great Depression, we killed little pigs, ploughed under corn, and dumped coffee into the ocean in order to artificially create scarcities and protect the profit system. With our present system, we simply cannot tolerate the thought of Plenty. We do not know how to live together if most of us are not at least partly cold, hungry, and sick.

How then did we get through the Great Depression? Actually, we did not get through it: we simply changed the businessmen at the top. Under the early New Deal, some of the surplus goods were distributed to the underlying population by a number of “unprofitable” means designed to rid the system of burdensome “overproduction” which existed. But the price system could not allow this dispersion to go on forever. The businessmen in high office were better able to

administer their businesslike sabotage on a grander scale in order to create new scarcities. Whenever workingmen worked and wheels turned, abundance grew again and a new Depression loomed. The process was interrupted by World War II, since nothing is “overproduced” in wartime.

Clearly, solutions other than war were necessary- Businessmen joined together and agreed to limit competition by forming monopolies (or cartels) the principle function of which is to protect profit by keeping down production. Thus, a fraternity was formed for the single purpose of maintaining high prices by limiting production and wages. A cartel is, effectively, a private government which has no responsibility to any electorate: its life-blood is profit and only profit.

The advances offered by engineers and scientists are bought and utilized only if they serve to increase profits — otherwise they are shelved, Progress must be subordinated to profit or else there can be no progress. For this reason, monopoly has been an instrument opposing progress since all monopolies are designed to limit production. In truth, our biggest problem now is to distribute abundance, but cartels are determined to insure that the poor shall always be with us.

It is impossible to say when or if equitable distribution will be achieved. Certainly, no change is possible until people have changed their beliefs and habits and they seldom do so except in the face of great necessity. Can we expect to see such a radical alteration?

Strangely enough, our salvation will probably come through the profit system itself, though in a way no one would expect. The businessman is the custodian of the rites and practices of the price system and he is also the one who sits high in government circles to administer our common affairs. We may be sure, then, that he will have much to do with bringing about any change. Since his basic function is the maintenance of the profit system and the accumulation of profits for himself, he becomes vulnerable when no further profit is possible, Such a time is rapidly approaching, and may even be here.

Fortunately for us all, the businessman himself does not serve any genuine purpose in the current era; the engineer and the scientist have become the indispensable men. Common necessity will force us to make and distribute goods whether or not businessmen make profits. Failing to earn money in his apparently dominant situation, he will turn over the problems of production to engineers and the task of distribution to anyone who will handle it. Most likely, this will be some government agency.

“Profits” most likely, will then disappear. They come mostly from the underlying population and are always created at the expense of someone else. A truly fair exchange cannot involve any profit, since someone, somewhere, must take less than the actual value of his contribution. Thus far, the inequity has been arranged by law and custom so that the burden has fallen on the working classes, as wages are kept low and the number of employed is maintained at a minimum.

Since the total wages paid eventually become the sum of the buying power of the underlying population, this problem rapidly becomes worse after any war. Increased efficiency of machines developed during wartime shrinks the base of employment, driving more people out of work. These are fed from a relief or “welfare” fund which is charged to those who are employed, thus further reducing the latter’s power to buy their own increased production. Moreover, they must pay for the war from their shrunken earnings by carrying an increased tax burden, leaving them with even less buying power. Added to this, they must support expanded armies and navies and pay disability pensions to veterans and shoulder other costs of bureaucracy left over from the war years.

In short, the buying power of wage earners steadily shrinks and they are unable to buy the

products which they themselves produce. When sales fall off, the businessman will cut employment again and again and thus, the underlying population, which eventually must pay all costs, will, in fact, be unable to pay ANY costs! This group, upon which the businessman depends for this “free income” will be bankrupt and no one will be left to whom the tariff can be passed. We can foresee the end of the price system — and of the businessman.

So far, we have experienced one major breakdown that threatened the whole price system. Before the Depression, “overproduction” had produced the spiral of unemployment we saw in the 1930’s. As buying power failed, more unemployment resulted which further reduced buying power, producing more unemployment, and so on. By the time of the Bank Holiday, businessmen had given up all hope of stopping the decline and were prepared to surrender the machine to anyone who could make it work, regardless of his methods. Not only could they not make profits any longer, they could not protect the profits left over from the past capital too was slipping out of their hands. What the Bank Holiday did was to pour money in at the bottom, thus salvaging the semblance of a price system.

It is not unthinkable that worse depressions may come. Businessmen seem unable to function in peacetime situation, and if they were unable to make profits when world problems were fewer and less complex, they certainly are unable to unravel the chaos of the present day, especially while we have no wartime controls.

With the motivation of personal gain removed, the businessman becomes but another citizen of this world rather than a mystical being with arcane powers. Like the rest of us, he will have to seek direct means to gain a roof over his head and food to eat. His previous experience will be a handicap rather than a help: trained to think in terms of scarcity, he will experience especial difficulty in adjusting to the opposite approach.

Probably, the forthcoming economic breakdown will be handled on a worldwide rather than on a national basis. Only one thing is certain: the resulting system will have small resemblance to what exists now. The Battle of Production has been won, and the Battle of Distribution is in the making. It will begin with the abdication of the businessman and it will end only when methods have been found to distribute Abundance.

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1. “The Problem of the Twentieth Century,” is Chapter 5, from the book Sin of Obedience by Willard and Marguerite Beecher. The Sin of Obedience and other Beecher books are recommended reading and are published by and can be ordered from the Beecher Foundation, at <http://www.willardmargueritebeecher.org> or by calling: 972 644-8198. "The Problem of the Twentieth Century" is reproduced here with permission of the Beecher Foundation.

About the Beechers and the Beecher Foundation:

The late Willard & Marguerite Beecher had more than eighty years of combined professional experience as renowned psychologists and authors. The Beechers were true patriots. A main concept they taught was Self Reliance - teaching everyone to stand on their own two feet. The foundation was established by the Beechers. The mission of the foundation is to keep their books in print for future generations.