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This essay originally appeared on Dr. Reisman's blog on October 19, 2011, under the title "How a Highly Productive and Provident One Percent Provides the Standard of Living of a Largely Ignorant and Ungrateful 99 Percent." It was subsequently included under its present title in Dr. Reisman's Kindle collection *The Benevolent Nature of Capitalism and Other Essays.*

The protesters in the Occupy Wall Street Movement and its numerous clones elsewhere in the country and around the world chant that one percent of the population owns all the wealth and lives at the expense of the remaining ninety-nine percent. The obvious solution that they imply is for the ninety-nine percent to seize the wealth of the one percent and use it for their benefit rather than allowing it to continue to be used for the benefit of the one percent, who are allegedly undeserving greedy capitalist exploiters. In other words, the implicit program of the protesters is that of socialism and the redistribution of wealth.

Putting aside the hyperbole in the movement's claim, it is true that a relatively small minority of people does own the far greater part of the wealth of the country. The figures "one percent" and "ninety-nine percent," however exaggerated, serve to place that fact in the strongest possible light.

What the protesters do not realize is that *the wealth of the one percent provides the standard of living of the ninety-nine percent*.

The protesters have no awareness of this, because they see the world through an intellectual lens that is inappropriate to life under capitalism and its market economy. They see a world, still present in some places, and present everywhere a few centuries ago, of self-sufficient farm families, each producing for its own consumption and having no essential connection to markets.

In such a world, if one sees a farmer's field, or his barn, or plow, or draft animals, and asks who do these means of production serve, the answer is the farmer and his family, and no one else. In such a world, apart from the receipt of occasional charity from the owners, those who are not owners of means of production cannot benefit from means of production unless and until they themselves somehow become owners of means of production. They cannot benefit from other people's means of production except by inheriting them or by seizing them.

In the world of the protesters, means of production have the same essential status as consumers' goods, which as a rule are of benefit only to their owners. It is because of this that those who share the mentality of the protesters typically depict capitalists as fat men, whose plates are heaped high with food, while the masses of wage earners must live near starvation. According to this mentality, the redistribution of wealth is a matter merely of taking from the overflowing plates of the capitalists and giving to the starving workers.

Contrary to such beliefs, in the modern world in which we actually live, the wealth of the capitalists is simply not in the form of consumers' goods to any great extent. Not only is it overwhelmingly in the form of means of production but those means of production are employed in the production of goods and services that are *sold in the market*. Totally unlike the conditions of self-sufficient farm families, *the physical beneficiaries of the capitalists' means of production are all the members of the general consuming public who buy the capitalists' products.*

For example, without owning so much as a single share of stock in General Motors or Exxon Mobil, everyone in a capitalist economy who buys the products of these firms benefits from their means of production: the buyer of a GM automobile benefits from the GM factory that produced that automobile; the buyer of Exxon's gasoline benefits from its oil wells, pipelines, and tanker trucks. Furthermore, everyone benefits from their means of production who buys the products of the customers of GM or Exxon, insofar as their means of production indirectly contribute to the products of their customers. For example, the patrons of grocery stores whose goods are delivered in trucks made by GM or fueled by diesel oil produced in Exxon's refineries are beneficiaries of the existence of GM's truck factories and Exxon's refineries. Even everyone who buys the products of the *competitors* of GM and Exxon, or of the customers of those competitors, benefits from the existence of GM's and Exxon's means of production. This is because GM's and Exxon's means of production result in a more abundant and thus lower-priced supply of the kind of goods the competitors sell.

In other words, all of us, *one hundred percent* of us, benefit from the wealth of the hated capitalists. We benefit without ourselves being capitalists, or being capitalists to any great extent. The protesters are literally kept alive on the foundation of the wealth of the capitalists they hate. As just indicated, the oil fields and pipelines of the hated Exxon corporation provide the fuel that powers the tractors and trucks that are essential to the production and delivery of the food the protesters eat. The protesters and all other haters of capitalists hate the foundations of their own existence.

The benefit of the capitalists' means of production to non-owners of means of production extends not only to the buyers of the products of those means of production but also to the sellers of the labor that is employed to work with those means of production. The wealth of the capitalists, in other words, is the source both of the supply of products that non-owners of the means of production buy and of the demand for the labor that non-owners of the means of production sell. It follows that the larger the number and greater the wealth of the capitalists, the greater is both the supply of products and the demand for labor, and thus the lower are prices and the higher are wages, i.e., the higher is the standard of living of everyone. Nothing is more to the self-interest of the average person than to live in a society that is filled with multi-billionaire capitalists and their corporations, all busy using their vast wealth to produce the products he buys and to compete for the labor he sells.

Nevertheless, the world the protesters yearn for is a world from which the billionaire capitalists and their corporations have been banished, replaced by small, poor producers, who would not be significantly richer than they themselves are, which is to say, impoverished. They expect that in a world of such producers, producers who lack the capital required to produce very much of anything, let alone carry on the mass production of the technologically advanced products of modern capitalism, they will somehow be economically better off than they are now. Obviously, the protesters could not be more deluded.

In addition to not realizing that the wealth of the so-called one percent is the foundation of the standard of living of the so-called ninety-nine percent, what the protesters also do not realize is that the "greed" of those who seek to become part of the one percent, or to enlarge their position within it, is what serves progressively to improve the standard of living of the ninety-nine percent.

Of course, this does not apply to wealth which has been acquired by such means as obtaining government subsidies or preventing competition through protective tariffs and other forms of government intervention. These are methods which are made possible to the extent that the government is permitted to depart from a policy of strict laissez-faire and thereby arbitrarily reward or punish firms.

Apart from such aberrations, the way that business fortunes are accumulated is by means of the high profits generated by the introduction of new and improved products and more efficient, lower-cost methods of production, followed by the heavy saving and reinvestment of those high profits.

For example, the $6 billion fortune of the late Steve Jobs was built on a foundation of Mr. Jobs having made it possible for Apple Computer to introduce such new and improved products as the iPod, the iPhone, and the iPad, and then heavily saving and reinvesting the share of the profits that came to him.

Two closely related points need to be stressed. First, the fortunes that are accumulated in this way generally serve in the larger-scale production of the very sort of products that provided the profits out of which their accumulation took place. Thus, for example, Jobs' billions serve largely in the production of Apple's products. Similarly, old Henry Ford's great personal fortune, earned on the foundation of introducing major improvements in the efficiency of automobile production, which brought down the price of a new automobile from about $10,000 at the beginning of the 20th Century to $300 in the mid 1920s, was used to make possible the production of millions of Ford automobiles.

Second, the high rates of profit earned on new and improved products and methods of production are temporary. As soon as the production of the new product or use of the new method of production becomes the norm in an industry, it no longer provides any exceptional profitability. Indeed, further improvements again and again render earlier improvements downright unprofitable. For example, the first generation of the iPhone, which was highly profitable just a few years ago, is or soon will be unprofitable, because further advances have rendered it obsolete.

As a result, the accumulation of great business fortunes generally requires the introduction of *a series* of improvements in products or methods of production. This is what is required to maintain a high rate of profit in the face of competition. For example, Intel's ability to maintain its high rate of profit over the years has depended on its ability to introduce one substantial improvement in its computer chips after another. The net effect has been that computer users have gotten the benefit of improvement after improvement not only at no rise but a drastic decline in the prices of computer chips. Insofar as high profits rest on low costs of production, competition drives prices down to correspond to the lower level of costs, which necessitates the achievement of still further cost reductions to maintain high profits.

The same outcome, of course, applies not only to Intel and microprocessors but also to the rest of the computer industry, where gigabytes of memory and terabytes of hard drive data storage now sell at prices below the prices of megabytes of memory and hard drive data storage just a couple of decades ago. Indeed, if one knows how to look, the principle of ever more and better products for less and less applies throughout the economic system. It is present in the production of food, clothing, and shelter as well as in the high tech industries, and in virtually all industries in between.

It is present in these industries even though the government's inflation of the money supply has caused the prices of their products to rise sharply over the years. Despite this, when calculated in terms of *the amount of labor* the average person must expend in order to earn the wages needed to enable him to buy these products, their prices have sharply fallen.

This can be seen in the fact that today, the average worker works 40 hours per week, while a worker of a century or so ago worked 60 hours a week. For the 40 hours he works, the average worker of today receives the goods and services comprising the average standard of living of 2015, which includes such things as an automobile, refrigerator, air conditioner, central heating, more and better living space, more and better food and clothing, modern medicine and dentistry, motion pictures, a computer, cell phone, television set, washer/dryer, microwave oven, and so on. The average worker of 1915 either did not have these things at all or had much less of them and of poorer quality.

If we describe the goods and services received by the average worker of today for his 40 hours of labor as being 10 times as great as those received by the average worker of 1915 for his 60 hours of labor, then it follows that expressed in terms of the amount of labor that needs to be performed today in order to be able to buy goods and services equivalent to the standard of living of 1915, prices have fallen to two-thirds of one-tenth of their level in 1915, i.e., to one-fifteenth of their level in 1915, which is to say, by 93 1/3 percent.

Capitalism—laissez-faire capitalism—is the ideal economic system. It is the embodiment of individual freedom and the pursuit of material self-interest. Its result is the progressive rise in the material well-being of all, manifested in lengthening life spans and ever improving standards of living.

The economic stagnation and decline, the problems of mass unemployment and growing poverty experienced in the United States in recent years, are the result of violations of individual freedom and its accompanying pursuit of material self-interest. The government has enmeshed the economic system in a growing web of paralyzing rules and regulations that prohibit the production of goods and services that people want, while compelling the production of goods and services they don't want, and making the production of virtually everything more and more expensive than it needs to be. For example, prohibitions on the production of atomic power, oil, coal, and natural gas, make the cost of energy higher, and, in the face of less energy available for use in production, require the performance of more human labor to produce any given quantity of goods. This results in fewer goods being available to remunerate the performance of any given quantity of labor.

Uncontrolled government spending and its accompanying budget deficits and borrowing, along with the income, estate, and capital gains taxes, all levied on funds that otherwise would have been heavily saved and invested, drain capital from the economic system. They thus serve to prevent the increase in both the supply of goods and the demand for labor that more capital in the hands of business would have made possible. They have now gone far enough to have begun actually to reduce the supply of capital in the economic system in comparison with the past.

Capital accumulation is also impaired and can ultimately be turned into capital decumulation, through the effects of additional government regulation in raising the costs of production and thus reducing its efficiency. This applies to practically all of the regulations imposed by the Environmental Protection Agency, the Occupational Safety and Health Administration, the Consumer Product Safety Commission, the National Labor Relations Board, the Food and Drug

Administration, and the various other government agencies. The effect of their regulations is that for any given amount of labor performed in the economic system, there is less product than would otherwise be produced.

Now anything that serves to reduce the ability to produce in general, serves also to reduce the ability to produce capital goods in particular. Because of such government interference, any given amount of labor and capital goods devoted to the production of capital goods results in a smaller output of capital goods, just as any given quantity of labor and capital goods devoted to the production of consumers' goods results in a smaller output of consumers' goods. At a minimum, the reduced supply of capital goods produced serves to reduce the rate of economic progress. A reduction in the supply of capital goods produced great enough to prevent the addition of any increment to the previously existing supply of capital goods, and thus to put an end to capital accumulation, brings economic progress to a complete halt. A still greater reduction, one that renders the supply of capital goods produced less than the supply being used up in production, constitutes capital decumulation and thus a decline in the economic system's ability to produce. As indicated, the United States already appears to be at this point.

The problem of capital decumulation has been greatly compounded as the result of massive credit expansion induced by the Federal Reserve System and its policy of easy money and artificially low interest rates. This policy led first to a great stock market bubble and then a vast housing bubble, as large quantities of newly created money poured into the stock market and later the housing market. Between these two bubbles, trillions of dollars of capital were lost. In both instances, vast overconsumption occurred as people raced to buy such things as new automobiles, major appliances, vacations, and all kinds of luxury goods that they would not have believed they could afford in the absence of the effects of credit expansion, often incurring substantial debt in the process.

In the one case, it was the artificial rise in stock prices that misled people into believing that they could afford these things. In the other, it was the artificial rise in home prices that produced this result. The seeming wealth vanished with the fall in stock prices and then again, later, with the fall in housing prices. In the housing bubble, moreover, millions of homes were constructed for people who could not afford to pay for them. All of this represented a huge loss of capital and thus of the ability of business to produce and to employ labor. It is this loss of capital that is responsible for our present problem of mass unemployment.

Despite this loss of capital, unemployment could be eliminated. But given the loss of capital, what would be required to accomplish this is a fall in wage rates. This fall, however, is made virtually illegal as the result of the existence of minimum-wage laws and pro-union legislation. These laws prevent employers from offering the lower wage rates at which the unemployed would be reemployed.

Thus, however ironic it may be, it turns out that virtually all of the problems the Occupy Wall Street protesters complain about are the result of the enactment of policies that they support and in which they fervently believe. It is their mentality, the Marxism that permeates it, and the government policies that are the result, that are responsible for what they complain about. The protesters are, in effect, in the position of being unwitting flagellants. They are beating themselves left and right and as balm for their wounds they demand more whips and chains. They do not see this, because they have not learned to make the connection that in violating the freedom of businessmen and capitalists and seizing and consuming their wealth, i.e., using weapons of pain and suffering against this small hated group, they are destroying the basis of their own well-being.

However much the protesters might deserve to suffer as the result of the injury caused by the enactment of their very own ideas, it would be far better, if they woke up to the modern world and came to understand the actual nature of capitalism, and then directed their ire at the targets that deserve it. In that case, they might make some real contribution to economic well-being, including their own.