

building up his conceptual files by a constant process of verbalizing and defining, teach him to analyze his emotional selector when he catches it in action. Thus, if he feels that politics is "bad," make him ask himself: "Why do I feel this?" and name as many reasons as he can find. The reasons do not have to be exhaustive immediately; the purpose is to train him to the process of identifying the causes of his emotions—and, gradually, he will learn to discover deeper and deeper reasons, to remove more "onion skins," and ultimately to reduce his emotional premises down to their philosophical, primary base. (Do *not* rush this process—let *him* do it—don't let him memorize formulas and dogmas which he does not fully understand.)

The Population and Immigration Questions

by George Reisman

[The following article consists of excerpts from a chapter of *Capitalism: a Treatise on Economics*, Dr. Reisman's forthcoming book. We present the excerpts here (out of the larger context of the book) not as a full treatment of the population and immigration issues, but as a number of insights valuable in making sense of these questions.]

WITH THE NOTABLE EXCEPTIONS of Adam Smith and Frederic Bastiat, the Classical economists taught, in sympathy with Malthus, that population growth represents a threat to the average standard of living. Their belief was that the larger the number of people, the larger the amount and poorer the quality of land and mineral deposits that must be worked to support them, and, at the same time, the more intensive the exploitation of each piece of land and mineral

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deposit worked, resulting in diminishing returns. For both reasons, they held, increases in population and in the number of workers tend to be accompanied by less than proportionate increases in the supply of food and minerals.

The clear implication of this doctrine is that there is an inherent conflict of interests among people as their numbers increase. It is tantamount to the claim that man is in the position of the lions in the jungle after all. The lions are at the point of a scarcity of food supply; man allegedly approaches it with every increase in his numbers. Indeed, Malthus was the inspiration for Darwin, whose writings were in turn the inspiration for the doctrine of conflict of interests presented under the name Social Darwinism.¹ A garbled form of Malthusianism is a root of the ecology movement's hostility to population growth.

The fact is, however, that the Classical economists' ideas on the effects of population growth are valid *only for a stagnant, non-division-of-labor society*.² In such a society, everyone lives in the same way—namely, as a self-sufficient farmer. In such a society, the existence of more people does mean the need for more and more land of progressively inferior quality and an ever worsening problem of diminishing returns. In such a society, it does mean the need to start farms higher and higher up the sides of hills or mountains, to extend farming to rockier patches of soil, or down into marshlands, and to subdivide existing farms among more and more people—all with the result of declining yields per unit of labor expended.

But this is not at all what the existence of more people means in a division-of-labor society. *In a division-of-labor society, a larger population means a greater, more intensive division of labor.*

Adam Smith alluded to this fact when he wrote that "the division of labor is limited by the extent of the market."³ The meaning of this proposition is that the extent to which the division of labor can be carried in the production of anything depends on the volume in which it is to be produced. If, for example, automobiles are to be turned out at a rate of, say, ten or twenty a day in a given location, then it is impossible that a step which takes five minutes to perform on any one car could be anyone's full-time job. The daily volume of automobile production would have to be increased to approximately one hundred in a given location before such an operation could be made into a full-time job. (One hundred times five minutes equals eight and one-third hours, which represents a full-time job.) The daily volume of automobile production would have to be increased to approximately one thousand in a given location, before an operation requiring only thirty seconds could be made into a full-time job, and so on. (One thousand times thirty seconds also equals eight and one-third hours.) Thus, the larger the volume to be produced—the larger the market to be served—the further can the division of labor be carried.⁴

Markets, however, are not made possible by non-producing consumers, as

Adam Smith well knew, but only by producers. And without a larger total number of producers participating in the division of labor overall, a more intensive division of labor in the production of any one good would require drawing labor away from the production of other goods, and thus correspondingly reducing the extent of division of labor elsewhere. The only way to have a greater division of labor overall is by virtue of a larger population of participating producers. This alone permits the division of labor to be extended in some areas without being correspondingly reduced in other areas. Thus, when we refer to the connection between the division of labor and population, or the division of labor and markets, it must be kept in mind that what is always referred to is a larger population of *producers*, and of overall markets that are larger by virtue of the existence of more producers.

Keeping this in mind, let us consider some further illustrations of the connection between the division of labor and the size of the population. Consider, for example, why large cities have so many specialized shops and restaurants, which are rarely found elsewhere. The reason is that the large population of such a city constitutes so vast a market that the statistically most infrequent tastes and interests are present in a great enough absolute quantity to make their accommodation possible.

For example, on any given evening perhaps only one person in ten thousand would like to eat Indian food. If the whole surrounding territory has only fifty thousand inhabitants, such a restaurant almost certainly could not survive, for it would have only five customers on an average evening. Its survival in such conditions would require patrons willing to pay very high prices. Only then could it be worthwhile for anyone to operate such an establishment. But in a large city or metropolitan area, with a surrounding population of ten million, say, there will be a thousand people, on average, wanting such food every evening. As a result, several such restaurants can exist and prosper.

The same principle applies to specialized book stores, equipment stores, and so on. It also explains why it is in large cities that one finds such cultural institutions as museums, opera companies, symphony orchestras, and so on, which appeal to refined and, in terms of their frequency of occurrence, relatively uncommon tastes. Only large cities have a sufficiently large market to provide a sufficient level of attendance for such institutions.

The advantages of a large population can be observed by considering the size of the population necessary for the existence of an economically sized medical school, say, and for the existence of medical specializations. The principles observed in these cases will apply throughout the economic system.

Thus, as a hypothetical illustration, let us assume that an efficiently sized medical school produces a hundred new doctors per year. This number, let us assume, is a number that represents enough students to keep the cost of lec-

tures and demonstrations within reason on a per student basis, and yet not so many students that they cannot obtain sufficient individual consultations and so forth with the faculty. Let us assume further that the average graduate of this medical school will practice medicine for forty years after graduation. This means that ultimately there will be four thousand graduates of this school in practice at any one time. Finally, let us assume that the average frequency of diseases and accidents, and so on, that require medical attention is such that in order to keep the average doctor more or less fully occupied, there has to be one thousand people for every doctor. These assumptions imply that a population of *four million* is necessary to provide a market large enough to support one efficient-sized medical school.

But this is by no means the end. For suppose that only one doctor in a thousand is a brain specialist. With a total of only four thousand doctors, there would be just four brain specialists. That is hardly enough to support much specialized research in brain diseases, a specialized journal of brain diseases, graduate programs or seminars in brain diseases, and so forth. A population of four *thousand* brain specialists, however, would make these things possible. But that implies an underlying population not of four million, but of four billion people.

This same kind of radical step-up in the size of the population necessary to make further specialization possible occurs throughout production. Consider again the case of automobile production, where it was pointed out that for a full-time job to be made out of one specific step that requires thirty seconds per car, volume would have to be approximately a thousand cars per day in a given location. Only this time, let us assume that the worker doing this job could be helped by a machine specifically designed for that purpose. If the total market for automobiles is limited to a thousand per day, then there is room for only one such machine. Obviously, it would be impossible to have any regular employment in producing such machines. But suppose the market for automobiles is not one thousand per day, but fifty thousand per day, so that fifty such machines are required. Now it may be possible to have some people regularly employed just in the production of these machines, who will produce them with greater experience and expertise. Of course, their division of labor could not go very far: only a very few such machines would need to be produced in any one year. If there is a specific operation in building such a machine which takes a whole month, say, it is doubtful that even that operation could be anyone's full-time job, because it occurs so infrequently. A vastly larger market would be required to carry the division of labor to the point where even very large-sized steps in the production of these machines could be made into full-time jobs. It is doubtful if markets could ever be achieved that were so large that all possibilities for carrying the division of labor further in the production of specialized machines and tools would be exhausted.

Now it is necessary to realize how important are the gains a larger market provides not only in allowing the existence of further specializations and subspecializations, but also simply in allowing existing specializations and subspecializations to be carried on, *on a larger absolute scale*. Our medical school example can illustrate this point very well.

Some kind of very small market, say a few hundred people, is necessary to allow one person to specialize as some sort of primitive doctor. A larger market of several million, that permits the existence of several thousand doctors, also permits them all to be trained in a medical school and creates the subspecialization of brain specialist. A still larger market increases the absolute number of brain specialists. And here we can easily see something that is vitally important. Namely, if the market is big enough to support four hundred, or better still, four thousand brain specialists, rather than just four, the likelihood of some important discovery being made about brain diseases is substantially increased. For there will be four hundred or four thousand highly intelligent and experienced people thinking about the problems involved, instead of just four. And whatever any one of them discovers, can, of course, be quickly communicated to all the rest—through the journals, seminars, and so on that their number is large enough to support.

Again, exactly the same principle applies throughout production. The larger the size of the market, the greater is not only the number of the scientific and engineering specializations and subspecializations, but also the absolute size of all of them—and, equally important, the larger the absolute number of intelligent, innovative individuals prepared to go into the various lines of business. Thus, throughout the economic system, the chances of new discoveries and inventions being made, being quickly communicated throughout the fields concerned, and then being implemented are greatly increased. And thus the rate of economic progress accelerates.

The potential gains of this kind from a larger-sized population in a division-of-labor society can be thought of in terms of a doubled population having a doubled number of Edisons and Fords and the like. Indeed, in a division-of-labor society, a doubled population even with just one-tenth more of such innovators would probably be easily capable of overcoming any problems of diminishing returns and poorer-quality land and mineral deposits, and of doing so by an ever widening margin. It would do so through the greater technological progress that the existence of a larger number of such outstanding individuals would make possible. For the existence of each additional productive genius serves to raise the productive power of the whole human race. Because essentially what he supplies are *ideas*. Ideas can be used by everyone who has need of them without in any way diminishing their ability to serve others. They are an inexhaustible gift.⁵

What we have here in the existence of a larger population in a division-of-labor society is a further step-up in productive power along the lines of the multiplication of knowledge used in production and the raising of the level of such knowledge to a standard set by the most intelligent. For now we have a *larger absolute number of the most intelligent*, which is bound to mean a more rapidly rising standard of knowledge used in production.

Thus, the effect of population growth in a division-of-labor society is radically different than in a non-division-of-labor society. In a division-of-labor society it means a greater, more intensive division of labor, including the larger absolute size of the various specializations and subspecializations concerned with making new discoveries and implementing them in the form of new products and better methods of production—in a word, it means a greater absolute number of productive geniuses, whose work operates to raise the standard of living of everyone. These advantages enable a division-of-labor society easily to overcome any problems that would otherwise be associated with the need to produce more food and minerals for a larger population.

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It is necessary to address the issue of free immigration, which is closely related to the subject of population growth. Free immigration is to the long-run material self-interest of the citizens of a capitalist country.

The words *capitalist country* must be stressed. To the extent that a country has a welfare system, tax-supported hospitals and schools, public housing, and so on, and the immigrants come to take advantage of these offerings, the effect is a corresponding loss to the present inhabitants of the country, who have to pay the costs. The above proposition applies to a country insofar as it is *without* these and other welfare-state-type programs—a country in which the immigrants must be self-supporting and themselves pay for whatever they receive. By the same token, the freedom of a country implies the absence of economic disabilities imposed on immigrants: there are no minimum-wage laws or prounion legislation to prevent them from gaining employment, and no legal obstacles to their starting businesses, buying land, and so on.

Under such conditions, the freedom of immigration must ultimately prove economically beneficial to everyone. Among the immigrants and their descendants will be individuals of great talent, capable of achieving great things in a free country, but who would be stifled and be able to contribute little or nothing in the lands of their origin. In effect, the freedom of immigration into a free country from countries that are less free or unfree is a vital means of *unlocking human talent and increasing the gains from the pyramid of ability*.

As a simple example, one should consider what would have been the effect

except for patent etc.

Thus, a capitalist economy with the freedom of immigration turns out in the long run to have a more rapid rate of capital accumulation than one without it. For it has both a larger relative production of capital goods and uses capital goods more efficiently in the further production of capital goods than one without the freedom of immigration. The effect of this more rapid rate of capital accumulation is a correspondingly faster rate of economic progress, which soon makes up for the reduction in the proportion of output going to the consumption of wage earners.

[Another] objection to the freedom of immigration is a non-economic argument to the effect that it means turning the country over to foreigners and thus destroying its language and culture. The fact is that for a capitalist country the ~~opposite is true~~. The freedom of immigration is the principal means of extending the language and culture of such a country. For the immigrants come voluntarily, in order to take advantage of freedom and to benefit themselves. They come with the knowledge that they are coming to a better country than the one they left behind, and so are well-disposed to learning its language and absorbing its culture. And because they come from many different lands, each with its own language, the language of the new country is the logical common ground for them to choose in dealing with one another. Learning it is also virtually indispensable for practical success, since almost all of the existing wealth of the country is in the hands either of its native inhabitants or of earlier immigrants who have learned the language to be able to deal with the native inhabitants. It was in just this way that English came to be the language of tens of millions of people who originally did not speak English—people who, along with learning English, made the most important parts of Anglo-Saxon culture their own, such as the idea of the rule of law and the sanctity of private property.

The immigrants, of course, do not merely absorb their new country's culture. They help to make it better. They contribute to it not only all their business, scientific, and artistic achievements, and what is valuable in their own heritage, but, perhaps most important of all, a constantly renewed sense of personal ambition and personal achievement. They are a fresh inspiration in every generation.

The fact that while two hundred years ago English was the native language of perhaps twelve million people out of a world population of one billion, and is today the native language of over three hundred and fifty million people out of a world population of about four billion; is due principally to the existence of the freedom of immigration into the United States. The ability of the United States to become the leading economic and military power in the world would not have been possible without its freedom of immigration, which both attracted the numbers and powerfully contributed to their per capita productivity. Had the United States adhered to its policy of free immigration—along with the rest

of its freedom—it is probable that today it would have a population approximately twice as large and a standard of living at least twice as high as the population and standard of living it presently has. As such, it would so far surpass any combination of external powers as to be absolutely unassailable.

The discussion of free immigration that has just been presented implies the necessity of modifying an important proposition of economics—namely, the proposition that the movement of workers from lower-paying to higher-paying jobs brings about an equalization of wage rates. This proposition must be limited to a context in which the jobs are performed *under the same degree of economic freedom and cultural rationality*. The movement of workers from lower-paying jobs in less-free, less-rational countries to higher-paying jobs in a freer, more-rational country does not equalize wage rates, but increases the differences still further, because the productivity of labor in the freer, more rational country will tend to grow all the more rapidly relative to the productivity of labor in the other countries, thanks to the unlocking of human talent and the capital formation that is brought about in the freer, more-rational country. Thus, free immigration contributes to the emergence of virtually two different worlds, as population moves from politically created wastelands into countries in which freedom and rationality make possible continuous economic progress.

It should now be clear that the freedom of immigration into a capitalist country is to the long-run economic self-interest of all of its inhabitants. It enables more talent to flourish and thus increases the rate of economic progress in that country, through the greater operation of the pyramid-of-ability principle.

REFERENCES

- [Cross-references to earlier or later sections of the book have been eliminated.] ¹ Cf. von Mises, *Socialism* (New Haven: Yale University Press, 1951), pp. 315–19. ² This was essentially the kind of society to which all but the most recent experience of the human race referred at the time that [Classical economist David] Ricardo wrote, which was in the early nineteenth century. He wrote too soon to know that he lived at the beginning of a radically new era in human history. Thus, it is understandable that neither he nor his followers were able decisively to break with this pessimistic view. ³ Cf. Adam Smith, *The Wealth of Nations*, Cannan Edition, bk. I, chap. III. See also Frederic Bastiat, *Economic Harmonies*, translated by W. Hayden Boyers (New York: D. Van Nostrand & Co., 1964), pp. 561–67. ⁴ It is important to recall that the extension of the division of labor in this way requires the availability of more capital. There must be the appropriate additional supplies of plant and equipment and materials, as well as the larger number of workers. ⁵ Cf. von Mises, *Human Action*, 3rd ed. (Chicago: Henry Regnery Co., 1966), p. 128; Ayn Rand, *Atlas Shrugged* (New York: Random House, 1957), pp. 1064–65.