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THE WELFARE OF THE MILLIONS

BY THE SAME AUTHOR.

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THE
WELFARE OF THE MILLIONS

OR

OUTLINES OF ECONOMICS

BY

FRANCIS MINTON, M.A.

VICAR OF MIDDLEWICH

AUTHOR OF "CAPITAL AND WAGES"

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P R E F A C E.

THAT poverty is curable is a theory of modern days. Past teaching impressed upon the poor that God had ordained their lot, and recommended contentment as the aim of life. They were supposed to be more profitably occupied in meditating upon a better world, than in inquiring whether they had a fair share of this life's good. The working classes were urged to be industrious at manual work, and specially to cultivate the virt^y of thrift. One other duty was not to be lost sight of by the indigent generally: it behoved them to order themselves lowly and reverently to all those whom fortune had placed in affluent circumstances.

In the following pages the author has wandered far from this orthodox teaching of the past. Statistics are brought forward to demonstrate the fallacy of the Malthusian theory of population. Discontent with the existing order of things is advocated among the poor, as more calculated to promote their interests than contentment. The indigent are recommended carefully to search for the origin of their misery with a view to remedy it. It is maintained that the

future welfare of the masses will depend more upon their brains than upon their hands. Much energy is now lost at laborious muscular work. Electricity and steam have placed unlimited force at man's call, and the directing power of man's brain will render infinitely more efficient labour than the feeble efforts of his muscles. Nor is thrift advocated under existing circumstances. The improvement of the working classes is dependent upon their intellectual and moral culture, and to render this possible they need time for mental improvement and recreation. They will injure rather than benefit themselves and their families by refraining from using what little resources they possess for improvement and enjoyment. It will be better for them to spend what they can spare from absolute necessities, rather than debar themselves from all enjoyment, in order to save.

This little work is an outline of the argument contained in my larger volume "Capital and Wages." It has been my endeavour to bring forward my conclusions with candour and fairness; but, of course, I am no more free from bias than other mortals. If, unconsciously, I have unduly advocated the claims, and exaggerated the future prospects of the working classes, I console myself with the reflection, that even such a course is a healthy reaction from the Ricardo-Mill school of economists who left the poor no better hope than to "curse God and die."

Laborious study at economics, extending now nearly over a decade, has led me to the conclusion

that Adam Smith's "Wealth of Nations" is no more adapted for the economic problems of to-day, than the writings of the ablest chemist, at the beginning of the century, are adapted for a text book of modern chemistry. In my belief, J. S. Mill's Political Economy will never retain its authority, after the destructive criticism of the last twenty years, although it is only too certain to secure a place in history, on account of the disastrous influence it has had upon English thought, during the latter half of the nineteenth century.

In the course of my studies I have lost so much from being ignorant of the existence of important books, for months and even years after they were published, that I venture to give a list in the appendix of the most important works on modern economics, as far as I know them, for the use of students.

THE VICARAGE, MIDDLEWICH,
September, 1889.



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2. For the industrial community generally the wide world would be open. Ample room would be left for competition after the laws of inheritance had been modified and the power of bequest curtailed, and a progressive income-tax had set a limit to the property an individual might hold. With land as easily transferable as consols, no insuperable barriers would be in the way of even unskilled workmen finding work. There would be an easy possibility of an industrious workman buying sufficient land for building a house, especially as local authorities would probably have special powers to acquire land for building purposes, as they even now have to provide allotments under the late Act. Land, when easily transferable, would also be obtainable for affording recreation, or adding to an income, acquired in other occupations, or a small farm would be available for providing an income by agriculture alone 162

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THE WELFARE OF THE MILLIONS.

CHAPTER I.

THE IMPORTANCE OF ECONOMICS.

§ I. THE aim of Political Economy, or economics, is to point out the conditions requisite for making the comfort of society as great as possible.

The importance of the study to the working classes can scarcely be exaggerated. For here they will learn the cause of their affliction, and will realize that it rests with themselves to apply the remedy. Hitherto they have been far too dependent upon the instruction of the affluent, who have given a very one-sided view of the case. If circumstances permitted the working classes to devote the necessary time to economic studies, they would learn from statistics the absurdity of the Malthusian theory of population. They would understand that the increase of their numbers ought to improve their condition instead of lowering their wages, if the produce of the labour were fairly divided. History would teach them that the so-called "laws of distribution" are nothing more than the arrangement of a ring of landlords and capitalists, who have displayed a remarkable aptitude for looking after their own interests, while they have left the workmen just as little as the necessities of the case compelled them

to accept. General observation would make it apparent to the reflecting mind that the real cause of "glutted markets" is due to defective distribution, and would show how untenable the theory is that "over-production" is due to more goods being produced than are wanted. In short, the study of economics would afford facts in proof that the distrust of the English workman for the political economy of the past was not without foundation, and would consign to limbo, as I believe is inevitable in the early future, the dismal science, as expounded by J. S. Mill and the followers of Ricardo.

In the past, millions, after a blighted youth and disappointed manhood, arrived at old age only to find it utterly forlorn. They struggled hopelessly because ignorantly. And life will continue to be the same dreary tragedy to millions unless they bestir themselves, and use their intelligence to detect the real origin of their woes. In all classes of life there are multitudes who would gladly occupy themselves with useful work, if they could find it. Thousands of clerks and governesses, tens of thousands of men and women brimful of the energy of youth, and literally millions of the working classes are seeking work and cannot find any demand for their services. What an immense loss of productive power is there here! In addition there is the still greater loss arising from the inefficient labour of those who work with only half a heart, because they secure as wages a mere pittance of what their work really produces. There is also to be taken into account the idleness of many of the rich, who never do any work at all, but in place of it talk of the productive power conferred upon society by their capital and the benefit thus derived from them—a mere illusion, as further on I shall attempt to show. By the so-called "rights of property" these appropriate to their own use the produce of the workers, and, so far from rendering any benefit to the community, they are, really in-

directly the cause of a great deal of the existing pauperism and crime.

§ 2. The general comfort of society depends upon the existence of an ample supply of useful things for every individual. Upon what may the future increase in the supply of useful things (wealth) be expected to depend?

Not upon mere muscular work. Man will greatly waste the efficiency of his energy by expending his efforts in muscular work. The provision of the material wants, among the higher civilizations, is daily becoming less dependent upon the direct application of man's muscular force. An enormous amount of human energy is now applied to muscular work, which would be greatly more productive devoted to the service of mental effort. The strength of nine men is only just equal to that of one horse. By mastering the horse, one man gains the command of muscular force equal to that of nine men. Discovering the power of steam, a few men by co-operating gain the control of a power equalling that of hundreds of horses and thousands of men. In thus bringing mechanical forces to bear upon matter, man makes them his obedient and efficient slaves in the attainment of his aims; and as his intellect brings fresh inventions into use, his labour becomes increasingly productive.

But future progress will not be a mere matter of intellectual development, however great the scope for its exercise. The cure of poverty will necessitate the moral growth of mankind as a controlling power over the intellectual. Without the control of the moral powers, mere knowledge will not curb the greed of individuals and classes in appropriating wealth to such a degree, as to hinder the interchange of function upon which the well-being of society necessarily depends. As in the bodily organism the health and prosperity of the whole is dependent upon each of the several organs performing their special functions in

unison with all, so in the social organism of humanity the whole is dependent for welfare upon each unit, and each unit upon all. The existing extremes of affluence and abject poverty cannot be conducive to a healthy social life.

However essential a factor of progress knowledge may be, it will be the work of sympathy to quiet the internal discord now preventing harmony of function in society, and in the human race in its entirety. Not only the intellectual power to produce wealth will be called for, but also the moral sense to produce justice in distribution. For without justice in distribution the intellectual power of a society cannot have full play in production.

For this reason. There is a pre-requisite to either intellectual or moral development. The highest interests of the mind can only be secured by first of all administering to the body's well-being; and this is just what the present unequal distribution of wealth prevents among the lower millions. It is the lack of an adequate supply of material sustenance, as a means of satisfying the material wants, as well as the surroundings of a healthy life, which at present hinders the intellectual and moral culture of the masses. Even with the most successful, life's energy is unduly exhausted in providing for mere material needs. All the working classes would be benefited by more time for recreation and leisure for mental culture, if their material wants were first satisfied. For by this means they would have a chance of intellectual and moral culture, which would render their labour vastly more efficient in increasing the aggregate quantity of wealth.

§ 3. To alter the deplorable state of existing poverty, the primary necessity is to secure a more equal distribution of existing wealth, as the most efficient means of increasing the aggregate supply of wealth. It is self-evident that the amount to be distributed among the components of a society, whatever

the proportions may be, cannot exceed the total supply. An increase in the total supply of wealth (useful things) is of supreme importance, so rendering possible proportionally larger aggregate distributions. The selfish fears of the rich prevent them from realizing this fact. They are ever acting upon the principle that the masses can only be plentifully provided for by lessening the shares of the rich. On the contrary, the elevation of the masses would make more for all, and be to the advantage of all classes of society without exception.

What the working classes really want, is an opportunity for all to find employment, and an adequate value in wages as a reward for the value of the work they perform. Before we proceed with the inquiry how employment can be open for all, and how the barriers can be removed which at present hinder an adequate value being secured for the value of the work done, our first step will be to show how flatly statistics contradict the Malthusian theory of population. The next chapter will be reserved for the discussion of the subject.

CHAPTER II.

STATISTICS *VERSUS* MALTHUS.*

§ 1. ACCORDING to Malthus, who published his "Principle of Population" in 1798, anything like a condition of universal comfort can never be reached on earth. The first two chapters of his essay contain the gist of his argument. His theory is that there is a constant and irremediable pressure of population on the means of subsistence. It is in the nature of human beings to increase at a greater ratio than their food. "A strong check on population, from the difficulty of acquiring food, must be constantly in operation. This difficulty must fall somewhere, and must necessarily be severely felt in some or other of the various forms of misery, or the fear of misery, by a large portion of mankind. . . ."† "There are few States in which there is not a constant effort in the population to increase beyond the means of subsistence. This constant effort as constantly tends to subject the lower classes of society to distress, and to prevent any great permanent melioration of their condition."‡

§ 2. Supposing a community were confined to a small area of land, so that no extraneous assistance could be obtained, it is conceivable that its numbers might increase beyond the capacity of the soil to produce subsistence. But this fact is no reason why the

* A part of this chapter appeared in the *Westminster Review* for March, 1889, under the article, "Statistics *versus* Malthus."

† "The Principle of Population," p. 2. By T. R. Malthus.

‡ *Ibid.*, p. 9.

world should be considered incapable of producing sufficient food to supply the needs of any possible numbers that can appear for centuries hence. If a family were confined upon six square yards of land, there would not, in a few generations, at the ordinary rate of increase, be standing room for the occupants; but would such a case afford any grounds for concluding that the earth had not sufficient space to afford standing room for its inhabitants? Arithmetic will show the absurdity of any such conclusion, for it has been calculated that the whole existing population of the globe, estimated at 1,400,000,000 persons, could find comfortable standing room within the limits of a field ten miles square.* I believe statistics will also show the conclusions of Malthus to be preposterous. It is true the population might outrun the means of subsistence if it were confined upon a given area, but then the deficiency of food would arise in the circumstances which caused the overcrowding, and not from the incapacity of the world to produce subsistence, as Malthus' doctrine has taught. Such a case of overcrowding has nothing to do with the question, whether the capacity of the world is sufficient to supply any possible population that can exist for many centuries with abundant sustenance, supposing labour is efficiently applied to raise it.

What we want to discover is, whether population ever has so increased as to exceed Nature's capacity to supply its needs of subsistence; whether, in fact, "a strong check on population from the difficulty of acquiring food *must* be constantly in operation;" whether "this difficulty *must* fall somewhere, and *must* necessarily be severely felt in some or other of the various forms of misery, or the fear of misery, by a large portion of mankind."

That population never has so increased, and is in

* "The Distribution of Products," p. 22. By Edward Atkinson. G. P. Putnam's Sons. Second edition, 1885.

no appreciable danger of doing so, at all events until the distant future, I maintain to be absolutely demonstrable from statistics. I do not deny that vice and misery have kept down population. Undoubtedly they have done so to an enormous extent. All I say is, the vice and misery have had their origin in man's ignorance and folly, not in "the niggardliness of Nature" in supplying his wants.

The generally admitted fact, that poverty has a tendency to stimulate the increase of population, seems to point to the existence of a law as regards population exactly the reverse of the Malthusian. The affluent notoriously do not have the number of children that parents in straitened circumstances generate. Statistical evidence incontrovertibly proves that a large community, other things being equal, is capable of producing more food and more wealth generally, man per man, than is possible in a smaller community. Europe has outgrown the dread of famine, and, no doubt, in future days will outlive the dread of pestilence. Famines are objects of terror in the early stages of social growth when numbers are numerically weak. Thus the last great famine that visited England was in the fourteenth century. At the present day, with a population in round numbers eleven times greater, a famine is so exceedingly improbable that such a calamity is no longer feared.

§ 3. Statistics will now be brought forward from Mulhall's "Dictionary of Statistics" to show how enormously the world's population has increased during the present century, and to what extent the inhabitants per square mile have increased in each country during the period.

POPULATION.*

A.

| | THOUSANDS OMITTED. | | | | |
|-------------------|--------------------|---------|---------|---------|---------|
| | 1800. | 1820. | 1840. | 1860. | 1880. |
| United Kingdom | 15,570 | 20,710 | 26,540 | 28,730 | 34,650 |
| France | 27,720 | 30,380 | 34,102 | 37,290 | 37,430 |
| Germany | 22,330 | 26,040 | 30,590 | 36,410 | 45,260 |
| Russia | 38,140 | 44,220 | 54,080 | 65,730 | 84,440 |
| Austria | 21,230 | 23,620 | 28,170 | 32,240 | 37,830 |
| Italy | 13,380 | 15,790 | 18,610 | 21,820 | 28,910 |
| Spain | 10,440 | 11,680 | 11,820 | 15,560 | 16,290 |
| Portugal | 3,080 | 3,210 | 3,490 | 4,030 | 4,350 |
| Belgium | 2,960 | 3,280 | 4,020 | 4,690 | 5,480 |
| Holland | 2,280 | 2,510 | 3,130 | 3,620 | 4,060 |
| Denmark | 900 | 1,040 | 1,290 | 1,580 | 1,960 |
| Sweden | 2,330 | 2,580 | 3,210 | 3,870 | 4,610 |
| Norway | 880 | 1,010 | 1,280 | 1,590 | 1,950 |
| Switzerland ... | 1,820 | 2,040 | 2,310 | 2,530 | 2,810 |
| Greece | | | 1,020 | 1,310 | 1,690 |
| Servia | | | | 1,240 | 1,920 |
| Roumania | 9,200 | 10,300 | 12,490 | 4,390 | 5,330 |
| Turkey | | | | 10,230 | 8,310 |
| Europe | 172,260 | 198,410 | 236,150 | 275,860 | 312,990 |
| United States ... | 5,310 | 9,640 | 17,070 | 31,440 | 50,410 |
| South America ... | 20,000 | 22,000 | 23,500 | 24,800 | 25,600 |
| British India ... | 70,000 | 83,000 | 98,500 | 143,300 | 191,400 |
| Canada | 470 | 840 | 1,730 | 3,360 | 4,340 |
| Australia | 10 | 90 | 410 | 1,330 | 2,880 |
| Cape Colony ... | 40 | 80 | 270 | 420 | 1,030 |
| Total | 268,090 | 314,060 | 377,630 | 480,510 | 588,550 |

In the above table Lombardy is counted Italian, and Sleswig German territory.

* Mulhall, "Dictionary of Statistics," p. 356. G. Routledge & Sons, 1884.

POPULATION.*

B.—INHABITANTS PER SQUARE MILE.

| | 1800. | 1820. | 1840. | 1860. | 1880. |
|-----------------------|-------|-------|-------|-------|-------|
| United Kingdom | 131 | 172 | 221 | 240 | 290 |
| France | 135 | 148 | 165 | 175 | 180 |
| Germany | 108 | 124 | 145 | 174 | 217 |
| Russia | 18 | 20 | 25 | 30 | 40 |
| Austria | 90 | 99 | 118 | 134 | 158 |
| Italy | 120 | 138 | 162 | 190 | 247 |
| Spain | 51 | 58 | 59 | 78 | 82 |
| Portugal | 88 | 92 | 101 | 115 | 124 |
| Belgium | 260 | 287 | 348 | 409 | 480 |
| Holland | 177 | 195 | 228 | 260 | 312 |
| Denmark | 60 | 71 | 89 | 108 | 127 |
| Sweden | 14 | 15 | 19 | 23 | 27 |
| Norway | 7 | 8 | 11 | 13 | 15 |
| Switzerland | 114 | 127 | 145 | 160 | 175 |
| Greece | 33 | 40 | 52 | 65 | 84 |
| Turkey, etc. | 70 | 80 | 100 | 120 | 120 |
| Europe | 48 | 54 | 64 | 75 | 85 |
| United States | 12 | 6 | 10 | 11 | 14 |
| Canada | — | — | — | — | 1 |
| Australia | — | — | — | — | 1 |
| Cape Colony | — | 1 | 2 | 3 | 4 |
| British India | 150 | 161 | 197 | 158 | 210 |
| South America | 3 | 3 | 3 | 3 | 3 |

Malthus overlooked the important factor of improvement in transit in his calculations. In the foregoing Table B, we see that in the year A.D. 1800 the number of inhabitants per square mile in the United Kingdom was 131, and that in the year 1880 it was 290, which is more than double. Yet with the continued increase of population "the preponderance of England is every day increasing, not only in population, but also in wealth and in all elements of national importance." †

"The estimates of public wealth by the most

* Mulhall, "Dictionary of Statistics," p. 357.

† "The Progress of the World," p. 109. M. G. Mulhall. (Edward Stanford, 1880.)

experienced economists show that the capital of the United Kingdom has doubled in forty years."*

| | Estimate. | Wealth of the United Kingdom. |
|------|--------------------------|----------------------------------|
| 1800 | Beck and Pulteney | £1,800,000,000 |
| 1840 | Porter | 4,000,000,000 |
| 1860 | Levi | 6,000,000,000 |
| 1877 | Giffen | 8,840,000,000 |

Reflection, then, will, I think, convince us that the misery and disease induced by insufficient nourishment, which has unquestionably tended to keep down population in the past, cannot have been due to any lack of Nature's bounty. The world's population is larger now than at any period within the range of history; and as the earth is capable of yielding sufficiency of food, even under the existing order of things, with whole continents to a large extent lying waste, it is clear, as far as production is concerned, the earth could have afforded abundance in past ages, *if the requisite intelligence and labour had been forthcoming.* The Malthusian theory does not accord with facts. As populations grow, instead of production being less per head, statistics clearly prove it to be greater. The intelligence which is fostered in large communities; the advantages of the division of labour; the improved transit, which increases in efficiency with an enterprising people in proportion as numbers become large, and is impracticable until population has developed—are more than a match in the competition of production for any advantage a thinly scattered community may in some respects gain on a virgin soil. Malthus and his followers, while bringing prominently forward the needs of an increasing population, keep out of view the increasing means of supply which the additional labour of greater numbers will produce. Man has no power to create anything; all he can do is to change the position of things. His labour in production is confined to this;

* "The Progress of the World," p. 110.

and so long as there are a pair of hands to provide for every mouth, with intelligence and energy, ample production is assured, unless society erects artificial barriers by means of its laws regarding the distribution of wealth. The real cause of much of the vice and misery existing in society seems to lie in the unequal distribution of wealth.

§ 4. But it is often said, if England did not import food, she could not feed her population. Statements of this kind are altogether without foundation, and are most misleading. "If England by any contingency were compelled to raise wheat, it would suffice to sow an area of five counties the size of Devonshire to supply all the needs of the three kingdoms, at seven bushels per head." * Edward Atkinson, the American statistician, declares "the average crop of wheat in the United States and Canada would give one person in every twenty of the population of the globe a barrel of flour in each year, with enough to spare for seed; and the land capable of producing wheat is not occupied to anything like one-twentieth of its extent. We can raise grain enough on a small part of the territory of the United States to feed the world." †

But, further, not only is a small area of the world sufficient to raise food for the whole of its population; but the labour of a small section of the population is sufficient to raise the food for the whole inhabitants of the globe. The fallacy of the Malthusian theory will be realized when we once understand how small an area of the world is sufficient to raise the food of mankind. For so long as there is plenty of land, we may easily calculate what toil would be required for each individual to supply himself with wheat.

The average crop of wheat in England, in 1880, was twenty-eight ‡ bushels per acre, and seven bushels is

* "The Progress of the World," p. 126. M. G. Mulhall.

† "The Distribution of Products," p. 22. Edward Atkinson.

‡ "The Landed Interest," p. 177. James Caird. Cassell, Petter, Galpin & Co., 1880.

sufficient to supply an individual with food for a year. A quarter of an acre, therefore, would be sufficient land to provide the absolutely necessary food for one person. With nothing but ordinary garden tools, a man ought to be able to cultivate such a little patch of ground in the time which would be equivalent to half an hour's exertion per day throughout the year. To produce the seven bushels of wheat would be a very small tax upon his energies, although in such circumstances it would be produced under great disadvantages. A community sufficiently numerous to render the separation of employments practicable would produce much greater results, man per man, than would be possible in the case of an individual working solitarily.

Even with comparatively primitive machinery, and no great organization in the division of labour, there is no doubt that the labour of one man would be sufficient to supply the necessary food for a considerable number. Professor Rogers states, "I find that in early English agriculture, as in modern, a workman to twenty acres is a liberal allowance of labour."* Now, at the average of 28 bushels to the acre, upon the above basis, one man's labour would raise $20 \times 28 = 560$ bushels, and, allowing seven bushels to each person, his labour would raise wheat sufficient for 80 persons. But with a minute division of labour, aided by modern machinery, man's power of producing food is enormously increased. I will give a verbatim extract from Mr. Edward Atkinson's address to the British Association, at Montreal, in 1884, as I have not the means to make such a calculation or to test its accuracy:—

"What people gain their bread with so little exertion of human labour as the people of this country? If we convert the work done in the direction of machinery upon the great bonanza farms of far Da-

* "The Economic Interpretation of History," p. 165. J. E. Thorold Rogers.

kota into the yearly work of a given number of men, we find that the equivalent in a fair season, on the best farms, of one man's work for three hundred working days in one year is 5500 bushels of wheat. Setting aside an ample quantity for seed, this wheat can be moved to Minneapolis, where it is converted into 1000 barrels of flour, and the flour is moved to the city of New York. By similar processes of conversion of the work of milling and barrelling into the labour of one man for a year, we find that the labour of milling and putting into barrels 1000 barrels of flour is the equivalent of a man's work for one year. By a computation based upon the trains moving on the New York Central Railroad, and the number of men engaged in the work, we find that 120 tons, the mean between 4500 bushels of wheat and 1000 barrels of flour, can be moved 1700 to 2000 miles under the direction of one man working eighteen months, equal to one and a half men working one year. When this wheat reaches New York City, and comes into the possession of a great baker, who has established the manufacture of bread upon a large scale, and who sells the best bread to the working people of New York at the lowest possible price, we find that 1000 barrels of flour can be converted into bread and sold over the counter by the work of three persons for one year. Let us add to the six and a half men already named the work of another man six months, or half a man one year, to keep the machinery in repair, and our modern miracle is that seven men suffice to give 1000 persons all the bread they customarily consume in a year. If to these we add three for the work of providing fuel and other materials to the railroad and to the baker, our final result is that ten men working one year serve bread to one thousand.*

§ 5. The prediction that the earth will eventually be overcrowded is assumption. It certainly is not so

* "The Distribution of Products," p. 75. Edward Atkinson.

now, nor can it be so for some centuries even at the greatest known rate of increase. Nor must it be forgotten that the quantity of food raised per acre will very probably be increased in the future, as it certainly has been in the past. Doubtless there is a limit to the production of corn to the acre, but no one knows what that limit is. It does not seem by any means true, within limits, that Ricardo's teaching is correct, that a greater return can only be produced at a greater relative cost. "The sewage farm at Croydon is an area of 600 acres, a light and not otherwise fertile gravel. But being irrigated by the drainage, the fertilizing powers of which it completely exhausts, and discharges as pure water, it will grow for ten months in the year an average monthly crop of rye grass at the rate of seven tons to the acre. After a time the sewage is shut off from some portions and oats sown on the land. Of these the land commonly yields a good 100 bushels to the acre."* We have only to call to mind the enormous crops of the market gardeners around London to realize how immensely more productive the land is capable of becoming under a system of heavy manuring. These gardeners raise three heavy crops annually upon much of their land. The supply of manure, too, in the future will in a great measure come from the source that creates the additional demand, when chemistry enables the inhabitants of towns, as it has already partially done, to utilize the sewage which is now permitted to be wasted in polluting our rivers.

It does not follow that population will indefinitely continue to increase at the rate it has done in the present century. Whether, according to Mr. Herbert Spencer's theory, civilization must diminish fertility by the slow process he points out, or whether intelligence may not discover a more speedy means, I do not venture to predict. I question whether, among the

* "The Economic Interpretation of History," p. 231. By J. E. Thorold Rogers.

young married people of the affluent classes, there has not been a very marked diminution in the number of children of late years. When statistics are forthcoming it will be interesting to see whether the following passage from J. S. Mill can be taken to represent the ideas of the educated classes in England at the present time: "That it is possible to delay marriage, and to live in abstinence while unmarried, most people are willing to allow; but when persons are once married, the idea, in this country, never seems to enter any one's mind that having or not having a family, or the number of which it shall consist, is amenable to their own control. One would imagine that children were rained down upon married people, direct from heaven, without there being art or part in the matter; that it was really, as the common phrases have it, God's will, and not their own, which decided the numbers of their offspring."*

§ 6. The increase of population, so far from being regarded as a calamity, is in reality one of the factors of progress. Modern statistics silence Malthus with crushing force, while they justify the laws of Divine Wisdom and Mercy. They bring forward incontrovertible evidence that a large New-York city, other things being equal, is capable of producing more wealth, man per man, than is possible in a large community. They lead us to expect, as population grows and becomes more organized in the future, that the energies of the masses will be taxed in a constantly lessening degree for the provision of the necessities of existence, and that leisure will be greater and the comforts and refinements of life more easily attainable. As for mere food, abundance is already secured to the Western civilizations, while a mere tithe of the energy of the population is devoted to its production.

No doubt it is the existing unequal distribution of wealth that hides these facts from general view.

* "Principles of Political Economy," vol. i. p. 458. J. S. Mill.

Abuses are notoriously long-lived, and error dies hard. After nearly a century of pernicious life in England, Malthus' doctrine, so fondly cherished by the affluent, is bound to wane under the light of modern statistics. With it will die an older and still more pernicious belief, that God has ordained the poor man's lot, with its attendant hopelessness and misery. The dawn of a brighter era seems to be breaking, when, in due time, it will be perceived that poverty, and well nigh all the ills of life, arise from man's ignorance and selfishness, and are curable as he grows wiser and better.

CHAPTER III.

VALUE.

§ 1. IN popular use the word "value," as Adam Smith pointed out, has two meanings: (1) value in use; (2) value in exchange. There are things which are not saleable, for which no one will give anything in exchange; and there are other valuable things which can be exchanged by sale or barter.

It is convenient to say that water has "value in use," and that corn has "value in exchange," speaking of either as if value was the quality of the thing, just as we speak of the green grass, as if the colour was the inherent property of the grass. But in thus using the term "value" we are using a mere figure of speech. Value is not a quality or capacity of any external object, but simply the importance attached by any given person to any object of desire. The idea of value is based upon the estimated effort the gratification of a given desire will involve. All value resolves itself into the estimated effort involved in obtaining possession of the means of gratification. If desire be absent, there will be no conception of value; but in proportion to the strength of the desire and the effort stimulated to gratify it, will the estimation of value grow for the means of satisfaction.

A man needs a certain quantity of water. A want is more urgent in its demands for satisfaction than a desire. The desire for water will develop more and more into an urgent want in proportion to the insufficiency of the supply. This want, while it remains unsatisfied, will in ordinary circumstance

continue to stimulate effort, so long as effort is physically possible. The greater the want and the greater the effort called forth to gratify it, the greater will be the estimated value of the means of satisfaction. This estimation of value, then, resolves itself into a question of the urgency of the want, and of facility in obtaining possession of a particular or equivalent supply. It is only an infinitesimal quantity of the world's supply of water that is of use to an individual, although the capacity of usefulness is in water generally. Only so much as is wanted will be of use and estimated of value, for the want will diminish with plenty and not exist with satiety. But however urgent the want, no particular quantity will be estimated of very high value in use, if possession of an equivalent quantity is easily obtainable. If there is an abundant stream running within a man's reach, the estimated value of a special cupful will not be very great, even to a very thirsty man, when by the simple effort of stooping and dipping the cup into the stream a fresh supply can be obtained. Facility, then, of obtaining possession of the means of satisfaction will lower the value in use, and may positively annihilate all conception of value whatever by rendering a superabundant supply available. This will not only be the case with a primary want such as that of water, but with all our material wants and with the great bulk even of our desires. Leaving the idea of selling them out of the question, why do we value any of our possessions, whether acquired by our own personal effort, or by free gift, or by purchase. Because we desire them for use, and if we parted with them it would cost us effort to replace them. According to the strength of the desire and the cost in effort (money or otherwise) to replace them will be the conception of value. We set no value upon a particular quantity of air, because, without any appreciable effort, we can obtain an equivalent quantity for our need from the supply everywhere surrounding us.

Precisely the same laws govern exchange value, but the phenomena will be more complex, as there will be a desire and effort in two individuals to be considered. It is the desire of possession that is gratified in an exchange, and the effort exchanged consists in the mutual transfer of the proprietary right to the commodities. As in the case of "value in use," so with "exchange value"—the estimation of value will be higher or lower according to the strength of the desire, and the difficulty or otherwise of securing possession of the means of gratification by effort.

A man by accident picks up a fine diamond, and congratulates himself upon having found a great prize. Why does he value it, and why does he demand a high price for it, although it cost him little effort to secure? Because, for various reasons, he desires its possession, and if he parts with it, he knows that it is a million to one that he will not have the luck to find another without the expenditure of immense effort. The purchaser is willing to pay a high price for it because he desires the possession of it, and he is aware that it will be easier for him to pay the price demanded for it than to go and find a diamond for himself. It is to save himself the effort of seeking one for himself that he buys it, and it is no matter to him what effort the vendor expended in acquiring possession of the diamond, so long as he hands over to him the proprietary right to the gem. If, however, diamonds became as plentiful as ordinary stones, their value would sink nearly to zero, because the desire for them would diminish. The finder of a diamond would set no great value upon it in such a case, because he could very easily find another; and a purchaser would give but the merest trifle for its possession, because he too could very easily find one for himself, and the purchase would therefore save him very little effort.

It is clear, I think, that the process of valuing by which "value in use" and "value in exchange" is

arrived at is identical, from the fact that the distinction varies, or altogether disappears, in both cases, according to the desire and the abundance, or otherwise, of the means of gratification. Nor is a hard and fast line of division possible between "value in use" and "value in exchange," as the one may run into the other in different circumstances, and superabundance may have the effect of entirely annihilating all conception of value whatever.

| | | | | |
|------------------------|---|-----------------|---|---|
| Thus the same water | } | is estimated | { | <i>a.</i> Of no value when not wanted. <i>b.</i> Of value in use, but not of exchange value, when wanted and possession of it, or an equivalent quantity, only requiring inappreciable effort to obtain. <i>c.</i> Of exchange value and value in use, when wanted and possession of it, or an equivalent quantity, requiring appreciable effort to obtain. |
|------------------------|---|-----------------|---|---|

§ 2. Professor Cairnes gives the definition of exchange value "as expressing the ratio in which commodities in open market are exchanged against each other." But ratio simply means proportion. Before a ratio can be stated, the things compared must be brought to a common denominator. Gold and pig-iron and different materials are not capable of this treatment. The proportion is not based, I maintain, upon the constituent materials and forces of nature comprised in the commodities exchanged, but upon the action of man upon the materials and forces. Exchange value will be a relation between desires and efforts in one person, and desires and efforts in another. To make a successful effort to satisfy another's wants or desires is to render him a service. If a service be stipulated for in return, there is an exchange of services; the service of transferring the proprietary right in one commodity is exchanged for the service of transferring the proprietary right in the other commodity. It is upon the relation of these services, and not upon the relation of materials and forces of commodities, that exchange value is based. Exchange value is the estimated reciprocal effort the

two parties to an exchange are, willing to make to secure an exchange of services.

We get, by the interpretation here given, the immense advantage of understanding the process of exchange and the determination of price. The value of the services exchanged is estimated by each at the effort involved in the commodities given in exchange. Each of the two parties in the exchange values for himself. He determines the strength of his own desire for the commodity held by the other, at the effort he is prepared to give to secure it.

§ 3. Ricardo only saw half the truth when he attributed "labour as being the foundation of all value; and the relative quantity of labour as determining the relative value of commodities." Karl Marx has vitiated the whole argument of his elaborate work, "Capital," by following this theory of value. Exchange value is not only dependent upon effort to be exchanged; it must be reciprocally appreciated effort. It should carefully be borne in mind that the value of a service does not always depend upon what it costs to perform; it depends also upon the estimate of the party receiving the service, and this estimate may be influenced by a variety of circumstances.

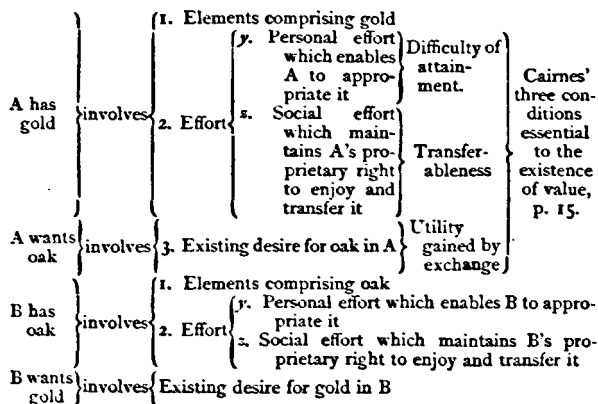
A ton of rock, raised from a coal mine, may cost ten times as much labour to bring to the surface as a ton of coal, and yet possibly may have no exchange value, while the coal sells at ten shillings a ton. It is evident the value of the rock will not be proportionate to the labour expended in raising it and putting it on the market; the value will depend upon the particular wants and circumstances of the particular locality. If stone quarries are abundant in the neighbourhood, and a small quantity of labour will produce as much stone as is required—say at four shillings a ton—the additional labour expended in raising the rock from the mine will be no service to the buyer to induce him to pay a higher price for it. Assuming the stone from the quarry and the mine to be of equal quality, the stone from the quarry will

answer his purpose as well as the more costly stone from the mine. So long as stone from the quarry can be procured at four shillings a ton, the stone from the mine will not sell for more, notwithstanding the extra cost of production. Nor does it follow that the rock would not, under the circumstances, continue to be produced from the mine, for in many cases it is impossible to get the coal without removing the rock.

It has been objected that if the foundation of exchange value lies entirely in the estimation of reciprocal service, *i.e.* efforts, where is there any reciprocal service involved in the value of a vacant building site, or in an area of virgin coal, for both are the production of nature. In such cases, the value lies in the service the vendor renders to the purchaser, in transferring to him the exclusive right of proprietorship, and the maintenance of such rights requires both social and individual effort.

§ 4. I have defined exchange value, therefore, as the estimated reciprocal effort the two parties to an exchange are willing to make to secure an exchange of services.

Take an example of exchange of gold and oak between A and B:—



In the exchange of oak between A and B—

A receives a service from B, viz. the material oak involving the personal effort which enables B to appropriate it, and the social effort which maintains B's proprietary right to enjoy and transfer it. By means of this service A gains the gratification of his desire for oak by acquiring the proprietary right to it.

B receives a service from A, viz. the material gold involving the personal effort enabling A to appropriate it, and the social effort which maintains A's proprietary right to enjoy and transfer it. By means of this service B gains the gratification of his desire for gold by acquiring the proprietary right to it.

The value of the services exchanged in the two cases is a relation depending entirely upon A's estimate of the gratification derivable from B's service to him, and B's estimate of the gratification of A's service; and the effort sacrificed by each, represented by the oak and the gold, is the measure (value) of their respective estimates.

The exchange value of the oak and gold does not lie in the ratio in which the material elements of the commodities exchange against each other; the quantity of materials only tells what the purchase has resulted in for both commodities—the gold and the oak. It shows nothing of the causes which determine the quantities of gold and oak exchanged. There is no basis for exchange value without desire and effort. The exchange value expresses the estimated reciprocal effort the two parties to an exchange are willing to make to secure the exchange of services.

§ 5. The tendency of social progress is to lower value on the one hand by increasing the power of man to overcome obstacles; and on the other hand to raise up value by enlarging man's capacities and desires, so that fresh obstacles beset the gratification of his new desires. Of course, a general rise or a general fall in values is an impossibility, or rather, a contradiction of terms.

There is no impossibility, however, in the essentials of existence and the ordinary comforts of life being low in value, while the luxuries of life are high. If we refer back to the example of exchange of gold and oak between A and B, we shall see the exchange value of the two commodities depended upon A's estimate of the gratification derivable from B's service to him ; and B's estimate of the gratification of A's service. If B saved A great effort, and A's desire for oak was very strong, A estimated B's service at a high value, and gave B a large quantity of gold accordingly, and *vice versa* in the case of B. The fact of high value indicates an obstacle in the way of a desire being satisfied, and this obstacle is what Professor Cairnes and several other economists term "difficulty of attainment."

The social welfare, therefore, is not enhanced by increasing values, and we must have some other definition of wealth than as comprehending all those things and those things only which have exchange value,* if social, as well as individual interests, are to be considered. What wealth is will be the subject of the next chapter.

* "Political Economy," p. 6. Senior.

CHAPTER IV.

WEALTH.

§ 1. WEALTH is any useful thing.
A thing may be material or immaterial.

- | | |
|----------------|------------------------|
| 1. Material. | A material substance. |
| 2. Immaterial. | { <i>y.</i> An action. |
| | { <i>z.</i> An event. |

Natural things, consisting of the materials and forces of nature, are the produce of nature entirely independent of man. A natural thing is anything over which no one exercises a proprietary right. Thus air, water, sunshine, so long as they are not appropriated, are natural things, as are also land, clay, ironstone, limestone, etc., so long as no one claims a proprietary right over them.

But there is no thing absolutely useful. For a thing to be useful it must be capable of gratifying some desire whereby it produces good; and this can only be accomplished under the existence of three conditions:—

1. Natural things (*i.e.* materials and forces).
2. Human desire.
3. Human effort.

1. Natural things. There can be no gratification of human desire unless nature provides the materials. Man cannot create matter, nor, in fact, is a desire or any intellectual or moral action whatever possible, except in relation to material organs.

2. Human desire cannot be gratified without effort

to appropriate nature's resources. The very desire will depend upon the individual's consciousness, which will necessitate effort. To remove hunger and satisfy the desire for food involves, not only the procuring of food, but also the muscular action of swallowing and the process of digestion.

3. Human effort, so long at least as it is voluntarily performed, will not be forthcoming except under the stimulation of desire. The term "effort" is here used as embracing the whole sphere of human activity—muscular and nervous.

A thing, then, is merely an instrument which will necessitate the application of effort for the purpose of gratifying the desire which will render the thing useful.

Here a difficulty arises. The desires of mankind are ever variable, whether we regard them from the individual or the social point of view. The things necessary to satisfy the desires of the savage and the civilized, the peasant and the nobleman, the artisan and the merchant, the commercial man and the philosopher, the child and the adult, will vary widely, according to the desires in each case. With these variations we can have nothing to do, if we are to have any practical test of what is or is not useful. The gratification of the particular desire of the person or persons concerned must be taken as the sole criterion of what is or is not useful, and therefore wealth in the particular case.

The primary necessity for rendering a thing useful is to obtain possession of it for the subsequent purpose of use.

Useful things may be divided into two classes, according as acquiring possession of them costs little, or more or less effort.

Useful things, { *a.* Those costing little effort to attain.
or wealth. { *b.* Those costing more or less effort to attain.

§ 2. We have seen all value resolves itself into

the estimated effort of obtaining possession of the thing desired. If there is no desire there is no conception of value; but the conception of value grows in proportion to the strength of the desire and the difficulty of obtaining possession of the thing desired.

The absurdity, therefore, of defining wealth as comprehending all those things, and those things only, which have exchange value,* and then confounding the increase of wealth (useful things) with the increase of value, will be perceived, if wealth has any connection with social prosperity. Is it better that France should have a climate naturally adapted for the culture of grapes, upon the production of which one of the great industries depends, or that she should create it under glass as the English grape growers? Is the climate of France no source of wealth as rendering her vineyards productive? Are the navigable rivers of England, which have no exchange value, of less use to the nation than the canals which are held by proprietors? The requisite of social prosperity is a plentiful supply of useful things easily procurable by everybody. Plenty, not scarcity is the aim to be sought. Socially it is a boon when water has no value, and a calamity when it fetches a price. Air is the most vital of all our wants, but no particular quantity of air has any value, because a supply is abundant everywhere, and the forces of nature render the possession of a sufficient quantity for use possible, at almost inappreciable effort. With the increase of plenty, the value of any commodity continues to fall. The recent decline in the value of wire poultry netting may be given as an example. Wire netting within the last few years has fallen fifty per cent., owing to a new invention increasing the facility of its production. As it can now be produced at much less cost than formerly, the demand for it is much easier to supply, and its value has fallen.

* "Political Economy," p. 6. Senior.

The boon to society would be inestimable if it were possible for wheat to fall to five shillings a quarter, owing to the facility of production through fresh discovery, supposing the purchasing power of money in reference to all other commodities except food remained as now. A working man earning half a crown a day could then supply himself with wheat for a year in exchange for two days' work. What a few landowners would lose * the masses would gain, and with the prosperity of the masses the landowners would indirectly receive back a great part of their apparent losses. The small effort requisite to gain a sufficient supply of food would in such a case greatly decrease the value of food, and would leave leisure and energy in the lower orders for the development and gratification of higher desires than at present have a chance of existence.

Wealth, then, is any useful thing, anything capable of gratifying human desire, and it is not always possible to measure it by exchange value. The air, sunlight, a good climate, navigable rivers, seasonable rains, etc., are unquestionably wealth to a country, supposing they can be utilized by the population.

§ 3. Thus a nation is wealthy according as there is a plentiful supply of useful things easily attainable for all to enjoy; but it is not necessarily wealthy in proportion to the estimated value of its property. The land of the United Kingdom is estimated † at £1,880,000,000. This is a proof that the land is scarce, and that many find a difficulty in obtaining possession of sufficient for their needs. If the land were more abundant the total value of the land need not increase, whereas the value of any given area, other things being equal, would very much decrease

* It does not follow that the landowners would necessarily lose. The subject is extremely complex, but *prima facie* if more were produced there would be greater possible distributions—rent along with interest, profits, and wages. This we shall realize if we imagine the distributions divided in kind instead of money.

† "Dictionary of Statistics," p. 469. M. G. Mulhall.

by the additional supply. Economists have lamentably failed to distinguish social from individual wealth. Moreover, property would seem to be the proper term for wealth appropriated by individuals and classes. Property is measured by its exchange value. The increase of the value of property is of vast importance to individuals and sections of the community in whom it is vested, as enabling them to prey upon the wants of others; but from a social point of view prosperity is promoted by decreasing the value of property, so increasing the facility of enjoyment for all, by rendering the possession of the means of enjoyment less onerous.

§ 4. *Meaning of the Word "Property" and the Classification of Property.*

Mr. Macleod, a lawyer, tells us, "Property, in its real and original sense, means ownership, or the right residing in some person to some things, to use them as he pleases; and when we speak of an exchange, it always means that the ownership, or property, in certain things is ceded or given in exchange for the ownership, or property, in certain other things." *

Property, then, being clearly understood to be a right residing in some person, there are three distinct species of property which may be sold or exchanged:—

1. Material property, *i.e.* property in specified physical substances which are already in existence, and in possession of the proprietor.

2. Immaterial property, *i.e.* property which a man has in his own efforts, whether manual or intellectual.

3. Incorporal property, *i.e.* property wholly severed from any specific *corpus*, or matter in possession. Thus we may have the right or property to demand a sum of money at some future time from some person.

Many species of property are of a mixed nature,

* "Principles of Economical Philosophy," vol. i. p. 157.

that is, the entire property in them consists partly of material and partly of incorporeal property. Thus, property in land consists of two perfectly distinct parts—property in the products of the past, and property in the products of the future. When the rate of interest is three per cent., it is found that the total property in land is worth about thirty-three times its annual value, and, consequently, thirty-two parts out of thirty-three of the total property in land is incorporeal, the remaining part only being corporeal. So with material possessions generally, the greater part of the value depends upon their future use. The breaking up price of a machine is much less than its market value for use. The value of a book for future reading is much greater than the value of the materials for waste paper.

There are several species of incorporeal property, such as the goodwill of a business or profession, copyright, shares in commercial companies, patents, tithes, ground rents, tolls, ferries, etc. These are all rights to future products. Credit is a species of incorporeal property of the greatest importance. There are two ways in which a man may trade. "He may buy goods by exchanging some of his property in money or the fruits of his past industry, or he may purchase goods, by giving the right or property to demand money at a future time, to be made by his future industry. This property or right to demand money at a future time is a species of incorporeal property called credit or debt." So "the nation itself in its corporate capacity may buy money by giving in exchange for it a right to demand future payment. These rights are called the funds, stocks, or public debts, or public credit."*

§ 5. Here it may be convenient to point out the distinction between property and a commodity. Property is a right, residing in some person to some things, to use them as he pleases, and includes all

* "Principles of Economical Philosophy," vol. I. p. 184. Macleod.

kinds of rights—material, immaterial, or incorporeal—which are exercised over anything. A commodity is anything—material, immaterial, or incorporeal—over which a proprietary right is exercised.

§ 6. Social wealth is dependent upon the existence, preservation, and distribution at fittest times and places of whatever is capable of gratifying the wants and desires of the particular community. It is not by enhancing the value of commodities that the general comfort can be promoted. High value involves urgency of desire and difficulty of attainment. It is the existence of abundant wealth that is of primary importance: the right or property to the wealth, upon which exchange value is based, simply determines who is to enjoy what exists. Social economy has been a mere side issue with the political economists of the past. They have upheld as one of the chief aims of mankind what they have termed the production of wealth. Not sufficiently regarding the bringing of useful things into existence, whereby the gratifications of humanity may be increased; but confining their attention too exclusively to the manipulation of property, by which individuals and classes acquire the right to enjoy the existing useful things or wealth.

CHAPTER V.

PRODUCTION.

§ 1. BEFORE proceeding to discuss production it will be necessary to point out the distinction between effort and labour.

Effort is exertion of any kind, whether physical or mental, expended for the gratification of a want or desire.

Labour is effort of any kind, whether physical or mental, put forth in view of a return service and for the sake of it. We shall see further on that labour is any personal effort expended in acquiring capital.

Productive effort embraces all exertion expended, directly or indirectly, in gratifying wants and desires, except the one desire of acquiring a proprietary right by means of exchange, which it is the province of labour to perform. Things are merely instruments. They must be appropriated and used before the capacity in them for gratifying desire can be utilized. The function of effort consists in something beyond the personal exertion involved in the production and appropriation of useful things (wealth); it comprises also the exertion involved in the use and enjoyment of wealth.

Productive labour has a less extensive sphere. Productive labour is effort expended for the sole purpose of acquiring a proprietary right by exchange. The desire gratified by labour is that of securing possession of a means of gratification. The labourer works for the sake of securing possession of his

wages. The labour is expended for the sole purpose of exchanging the result, for the result of labour performed by some one else: the personal use of wealth, except as a means of exchange, is beyond the sphere of productive labour. We shall see further on that all labour expended in producing capital is productive labour.

§ 2. *Production.*

What is production in economics? Production is the result of effort in modifying and bringing into relation any factor or factors of useful things. Now, the factors of useful things (wealth) have already been shown to be—

1. Natural things (*i.e.* materials and forces).
2. Human desire.
3. Human effort.

Production may display itself on either of these factors separately, or upon all taken together. Production cannot be confined "to those kinds of exertion which produce utilities embodied in material objects." Whether a thing is useful entirely depends upon the gratification of a desire. Air is of use to a living man whose vitality can use it; but it is not useful to a corpse, which has no desires and is incapable of effort. The capacity of use must be restored before the production of air can be useful to the corpse. This would necessitate the return of the desire for air, and the vitality to use it for the gratification of the desire.

So with food or anything else. In the cold regions inhabited by the Esquimaux, the effort involved in procuring blubber produces utility embodied in a material object, because it is largely desired for food; but in the tropics the effort will not be forthcoming, on account of the lack of desire for blubber, nor would the blubber be useful as food, if produced. Again, the effort involved in the production of a

book will be useless without the education to appreciate and use the knowledge stored therein. What is the use of a microscope or any other machine whatever, without a corresponding desire and capacity to use it? The effort expended in making a musical instrument can only be useful, provided effort is expended thereon in producing agreeable sounds, which is an immaterial product, and this, again, will entail a cultivated desire for appreciation.

Production, then, may display itself on any one of the foregoing factors separately or upon all taken together. Upon material things, in the effort adapting them for use, either by modification, transport, etc.; upon human desires, in effort accomplishing their regulation or modification by education; upon effort, in additional effort rendering it in any way more efficient, as in the case of increasing mere physical energy by inventions, etc.

Thus the production of useful things is absolutely dependent upon effort. For consciousness is essential to the existence of desire, which exists only with the individual's vitality; and natural things are useless without the effort which utilizes them.

As, then, desire is necessarily the product of effort, we may say the production of useful things is dependent upon effort and natural things. Analysis shows that effort and natural things are the elements of which useful things are composed.

§ 3. Now, how may human effort be applied to production? In two ways: (*a*) An individual may produce useful things by his own effort alone, for the purpose of his own personal gratification, as in the case of breathing, or as a man would have to do if cast naked upon a desolate island, supposing circumstances were so favourable as to enable him to continue to exist; (*b*) Men may labour for one another and exchange the product of their labour with one another, so enabling every individual to gratify his particular desires by the interchange of services.

Thus useful things may be used in two ways: (a) The effort of the individual possessing them may use them for the gratification of his desires; (b) The useful things may be used as a means of exchange, so gratifying the owner's desire for the possession of something he wishes for more than what he parts with. I maintain that possessions used for exchange are property, and that all property used for trade purposes, *i.e.* exchange, is capital.

§ 4. There are three different classes of producers and production: (1) Producers of raw material from natural things; (2) Manufacturing producers; (3) Commercial producers.

The existence of a commodity will generally necessitate all three kinds of production, as involving at least some manufacture and transport. It will, however, be desirable for the sake of distinction to term the production of the first class—*i.e.* conversion of natural things into raw materials—creative production; that of the second, manufacturing production; that of the third, commercial production.

CHAPTER VI.

CAPITAL.

§ 1. CAPITAL is property in use for trade purposes. For capital is the proprietary right to the product of past, or to the anticipated result of future, labour, intended to be used or in the course of use, as a means of exchange of services. * Capital is an instrument which facilitates the exchange of the products of labour. So, by exchange, transferring and rendering applicable the united product of any particular labour to the particular object or undertaking for which it is required.

§ 2. *All Capital must be Property, but all Property is not Capital.*

It has been pointed out that property is a right residing in some person to enjoy as he pleases some particular thing. The enjoyment may be accomplished, as we have seen, in two ways. The owner may use it directly for the gratification of his desires, in which case it is not capital; or the property may be used as a means of exchange, so gratifying the owner's desire for the possession of something he wishes for more than what he parts with, in which case the property is capital.

§ 3. *All Capital is the Result of Labour.*

All property will involve effort to appropriate the thing over which the proprietary right is exercised,

and, where the property has exchange value, social effort will be called for to maintain the owner's proprietary right to enjoy and transfer. Hence, in the case of exchange, the very power of transfer which is essential to exchange value involves labour, if it is only that expended in acquiring and maintaining the proprietary right. Property used as capital must be the result of labour so far; but it may be the result of any amount of labour in addition. Thus, at one time, the transfer of a piece of land may take place, where no labour beyond that involved in obtaining and transferring the property has ever been expended. Later on the transfer may involve not only the labour expended in acquiring and transferring the property in the land, but that also of all improvements—roads, buildings, etc.—expended thereon. Thus all capital is necessarily the result of labour, and only in a very partial sense can capital be said to be the result of abstinence. Labour, not saving, is the source from whence capital is derived. Abstinence does not create, although it may conserve capital. As property is measured by its exchange value, the *quantum* of capital is ascertained by the value of the property comprising it.*

§ 4. *Capital belongs to the Distributing System of Society.*

I submit that capital does not belong to the sustaining system as hitherto taught, but to the distributing system of society. Instead of capital being essential to productive functions, by maintaining labourers during the progress of their work, and by supplying materials which labour works up into wealth, as has been the doctrine hitherto, capital carries on productive functions only as a distributing medium. Labour is the creator, capital is a distributing medium. Capital, in fact, is called into being as a medium of

* The reader is requested carefully to observe the note on p. 111.

transfer for the products of the various divisions of labour, as roads, railways, etc., and the commercial classes arise and increase, according to the demand for distributing the products of labour.

Imagine an individual cast naked upon a desolate island. His existence would depend upon the production of useful things. The existing natural things upon the island, and the man's own efforts, would gratify such desires as were capable of being gratified. No capital would be possible in the circumstances of the case. If he chose to collect a store of food, no doubt it might facilitate his turning his attention to any special work he desired to perform, but such a store of food would not be capital. It might assist production, it is true, because it would be a part of the necessary effort already performed in production, which otherwise would have to be accomplished. If a man desires to walk a mile, it is evident when he has walked a quarter of the way that he has accomplished a part of his task, and the exertion expended in accomplishing the quarter of a mile would assist in accomplishing the whole. So in producing an article, as human energy is a *sine qua non*, and food is a necessity of the existence of the energy, having provided the necessary food is a part of the task of producing the article. But to suppose that food in such a case is capital, is entirely to mistake the functions of capital. Tools might assist a solitary person in production for the same reason. They would be the product of effort already at hand, which would otherwise have to be performed to obtain the advantage derivable from their use; but tools in the hands of an isolated individual would not be capital, however applied to productive purposes.

A monkey uses a stone to crack nuts, but surely it will not be maintained that a stone in such a case is capital, although to all intents and purposes it would be a tool. The animal utilizes the material (stone) and forces of nature (gravity, etc.) by means of his

efforts to accomplish his purpose. First, suppose the monkey finds a stone adapted for his purpose, and carries it to the foot of a tree where nuts are plentiful. In this way he will have a tool near at hand, and, having accomplished the task of securing it, he will be saved in future the time and exertion of searching for a suitable stone, and carrying it to the foot of the tree, where his exertion has already deposited one for use. Now, supposing the monkey carries the stone up the tree, and thereby is enabled to crack as many nuts as he requires, which it would be beyond the power of his teeth to do. What advantage will he have gained? When once he has executed the task of getting the stone up the tree, he may keep it there, so as to have it at hand when required for use, and the animal will be saved the exertion of carrying the nuts down to the stone every time he requires to crack them, and also the exertion of ascending the tree to obtain a fresh supply, all of which would involve a great loss of time. As the stone renders the monkey's efforts more efficient, the possession of the stone (tool), ready for application just when and where he wants it, will afford two advantages. It will save the time already expended, that would have to be expended over again in seeking and fetching the stone, as well as the effort already expended in rendering it ready for application, in placing it up the tree.

The advantages of any tool, however complex, would be of a similar nature in the hands of an isolated individual as an instrument increasing the efficiency of his efforts. By moving and placing in certain positions the materials and forces of nature, the individual's efforts could direct them with advantage, so as to save both exertion and time. But no tool would be capital in such a case, for exchange of the products of labour would be out of the question in solitude.

It will be shown further on that tools and machinery,

used as capital, assist production by means of exchange, in an analogous manner to that in which the stone assists the monkey in cracking nuts. By means of exchange of labour time is saved, by rendering applicable the product of labour already performed. Thus a union of the products of labour is at once applicable to production on a larger scale, which possibly an individual might never be able to perform, however long he devoted his efforts, and which would involve more or less delay, however great the numbers who set themselves to the task of producing what, in capital, is the accumulated product of labour ready for use.

Instead of a solitary individual, suppose a dozen individuals were cast naked upon the shore of a desolate island. So long as there was no exchange of services there would be no capital. Each one would supply his wants by his own efforts. We may be certain, however, that their intelligence would prompt them to assist one another, and division of labour would be speedily organized. Suppose four devoted themselves to providing food, four to providing clothing, and four to providing tools, and let A B C represent each section respectively. The sole object of A in providing more food than the four could consume would be to exchange it with the produce of B and C. The food consumed by the producers would be property, and the surplus for exchange would be capital. By distributing the surplus food, *i.e.* capital, they would have distributed to them the clothing and tools they desire by means of exchange of services. The same would hold good with B and C. The sole object of either in providing more clothing and tools than they severally required would be to exchange the surplus produce, and this surplus produce would be capital. The extent, therefore, of the capital produced would depend upon the requirements of exchange; it would be determined by the necessity of transfer among the interdependent

parts of the divisions of labour A B C. The capital produced in the instance given would depend upon the requirements of eight persons, and upon their producing something equivalent for exchange.

§ 5. *Divisions of Capital.*

We have seen all property is not capital, but all capital must be property, for it must necessarily be capable of being transferred. As there are three distinct species of property, or proprietary rights, so there are three distinct species of capital, which may be sold, or let for a specified term:—

1. Material property, *i.e.* property in material things, already in existence and in possession of the proprietor, such as houses, land, etc.

2. Immaterial property, *i.e.* property which a man has in his own labour, physical and mental.

3. Incorporeal property, *i.e.* property in things only to be acquired at some future time, as credit of all sorts.

Capital is divided into circulating and fixed. Circulating capital may be divided into (1) the instruments of sale—money and credit of all kinds, (2) all other capital for the time being, other than the instruments of sale, which we shall term vendible commodities, in default of an existing term.

§ 6. *All Capital is applicable for Wages.*

The whole capital of a community, whether circulating or fixed, is capable of being applied for wages; but the produce of future labour is far more important in determining the possible labourers' wages than the amount of capital saved previous to the commencement of the labour. The function of capital in production is that of exchange of the products of labour, and not that of sustentation, as hitherto taught. There is no real "wages-fund" unless, indeed, it be

the whole of past production that is capable of being applied as capital, together with the future production of labour.

It is by no means necessary, as was assumed in the "wages-fund" theory, that labour is sustained and paid out of capital existing previous to the labour, for we shall see further on that credit may be substituted for coin money in the payment of wages, and the credit may be used for the purchase of commodities that were not necessarily in existence antecedent to the labour purchased by the credit. To all intents and purposes the produce of labour is capital, if wages are paid for the labour. The labourer holds the right or property in his labour, and he can exchange the produce of his labour, just as he can exchange any other commodity in which he holds the proprietary right. Instead of receiving the actual produce of his labour, he sells his share for money (wages). His labour has added to the general stock of capital before he takes any away in wages. The inconvenience and often absolute impracticability of being paid by the actual produce of his labour is plain. He therefore accepts money in exchange for what he has produced, by means of which he obtains from the general stock of capital, in the particular form he desires it, a return for the addition he has added to the general stock. This return may be from the saving of the past, but it may also be for capital produced exactly contemporaneously, or even subsequently, to the capital his own labour produced.

How, then, are wages advanced by capital? Are they not a mere exchange of one form of capital for another form of capital: a right to the result of the labour being exchanged for a right to the money?

§ 7. *Function of Wages.*

We are told by political economists that labourers must eat, and that it is impossible for them to pro-

duce food by their labour until some months have elapsed. It has been the teaching of the past, therefore, that the labourer is dependent upon the advance of the capitalist's stock to enable him to set about his work. And this, no doubt, is true as far as it goes. Ploughing, for instance, will not satisfy the ploughman's desire for food. But, after all, this is nothing more than an illustration that specialty of function necessitates interdependence of parts. As soon as the independence of parts is interrupted the specialty of function abruptly ceases. Stop the function of the brain by a pistol shot, and you equally stop the function of the heart and stomach. It is so in social affairs. Why does the capitalist undertake the labour of accumulation? As the most ready means of transferring to himself the product of other labour. Why does the labourer undertake the special task assigned to him by the capitalist? As the most ready means of transferring to himself what he requires from the store of the capitalist. Sever the dependence, and the specialty of function ceases on both sides. The capitalist abandons accumulation, for the labour of accumulating more than he could use would be objectless; and the labourer abandons his special work, which would afford him no gratification. Each party would endeavour to be self-supporting; the social organism would die; and the few individuals that survived the rupture would quickly retrograde into barbarism.

Political economists talk as if the food supply was the result of years of saving. The truth is, the supply of one harvest is necessarily almost all consumed before the arrival of the succeeding harvest. In civilized races probably not one-fifth of the energy even of the industrial population is engaged in raising food, so easily is the mere food of a community supplied. If food cannot be obtained it is not that food does not exist, but that proprietary rights hinder it being obtained. That there is sufficient food in

existence to supply all present needs is certain, for otherwise how do populations subsist, famines in civilized races being almost unknown? It is a very one-sided view, therefore, to conclude that labourers cannot obtain food by their labour until some months have elapsed, unless by the so-called "advance of the capitalist" in wages. This may be the case so long as a few proprietors exercise proprietary rights over all available food, and can secure the assistance of society to protect their claims. But how if the labourers combine, and, goaded by injustice and the extortion of their employers, help themselves? Would it then take months to secure a supply of food?

But, in reality, no western civilization has now to wait after a harvest for the next one before obtaining a fresh supply of food. Harvests in various parts of the world are continually coming in succession, so that it is a mere matter of transport to gain a supply at any time. And the various needs called for in one branch of the division of labour are supplied by exchange from other branches, through the instrumentality of capital.

We have now to show that labourers are not maintained by the advances of capital, but by exchanging the product of their own labour, which to all intents and purposes is capital produced by them, and exchanged for capital in the form of wages. The transaction is as much an exchange of capital as any other sale.

A farmer buys a farm. This means he performs a service in exchange for a service. The farmer transfers his right to enjoy and transfer a certain amount of capital in the form of coin; and, in exchange, the vendor transfers his proprietary rights in the land.

The farmer employs labourers and pays them wages. There is, in such a case, just as much a sale as in a sale of land or a sale of goods; and capital changes hands precisely in the case of the farmer and his labourers, as it does in the latter cases.

Labour is devoted, say, to ploughing a field. This is productive labour. It is labour expended in producing a factor of wheat-growing, and value is created. Wages are not paid until the labour has been performed, and the result of the labour is therefore existent. In paying the wages the farmer estimates the value of the labourers' service in ploughing the field—thus producing a factor of wheat-growing—at so much coin; the labourers estimate the value of the farmer's service in transferring to them the coin, at the labour expended in ploughing the field. Does the farmer decrease his capital by this exchange of services, and are the labourers paid from his capital? Certainly not. The farmer pays the wages in money, and the value of his coin store is so much less; but by exchanging his coin for the labour performed in ploughing the field, he gains a stage in increasing his grain store, and so gains an increase in value in the direction of grain. The wages, therefore, are merely an exchange of capital in one form for capital in another. Had the farmer not estimated the ploughing of the field as worth the money paid for doing it, he would not have had it done. He exchanged his money for the labourers' services, because he estimated he gained an increase in the value of his property, and therefore an increase in his capital thereby. If he sold his interest in the farm, he would expect to be paid for this additional capital invested in ploughing the field, as part of the goodwill of his business, so as to replace the money paid for it. The fact that the labour of ploughing the field does not produce the matured grain is no reason why the labour does not add capital: it is a stage of the necessary labour performed. In the same way the cowman sells his right to demand his wages for labour performed, for the proprietary right to the coin paid him.

Nor is the case different in manufacture; the function of wages is that of effecting the exchange of capital. In the place of the raw cotton, the cotton

spinner has the spun cotton, wholly or partially complete, produced by the labour of the operatives which has increased the value of the property. The cotton-spinner exchanges his proprietary right to the wages for the operatives' proprietary right to the result of their labour in the spun cotton. The operatives add to the manufacturer's capital by the value of their labour before they subtract any value from it in exchange for their work. This is capable of being tested by placing the wholly or partially spun cotton on the market. Its normal value will be not only that of raw cotton, interest on fixed capital, etc., but a proportional value induced by the labour of partial or complete manufacture as the case may be.

In the same way, if we take the wages paid in commercial enterprises, we shall find that the labourers produced capital by some service before their wages were paid; and it was their own production they exchanged for their wages.

It may also be shown that the expenditure of wages is a mere matter of exchange, in the case of any circulating capital which may become fixed capital, whether we regard the wages as expended in the production of raw materials, or of the completed tools, buildings, etc.

In building a factory, before the wages are paid for transporting the bricks, lime, and sand, the labour is done. This is an essential part of the construction of the edifice, and the capitalist has his capital increased by the value of this accumulated labour, before his wages account is decreased. Every week's end brings the building nearer completion, and its value is increased weekly at a greater ratio than his wages account is decreased in value, assuming the enterprise is profitable. How can the capitalist's wages account be said to maintain the labourers? Plainly it would not be the case if, instead of the labourers receiving their wages in coin, they were remunerated by taking their share in the improved

value produced by their labour in erecting the building. Could they not then sell their interest for money, or barter it for just what commodities they required? Why would not their share be as much capital to them, as the capitalist's share unquestionably would be capital to him, assuming the building were erected for sale? This instance shows the absurdity of past economic teaching. Existing customs are a mere matter of arrangement. The ignorance of the workmen has hitherto hindered them from protecting their interests, and an increase in their intelligence is all that is necessary to readjust anything that is unfair.

§ 8. *Function of Raw Materials and Finished Products as Circulating Capital.*

It will be necessary here to point out the difference between natural things and raw materials. Natural things are the produce of nature entirely independent of man, and are no one's property. So long as there is no one to claim a proprietary right, land, clay, coal, ironstone, limestone, etc., are natural things.

The difference between natural things, and raw materials does not lie in different elements, but in the labour which has been expended upon the latter. Natural things man has no power to create. Raw materials are compounded of natural things, and the labour that has been expended upon them. Raw materials in use as capital necessitate at least the labour, personal and juridical, involved in establishing and maintaining the proprietary right to enjoy and transfer; but raw materials may be the result of any degree of labour. Thus cotton seed, growing cotton, cotton in bales, spun cotton, calico, may all be the raw material of garments stored afterwards in a warehouse. The clay of an unclaimed territory, existing as a natural thing, and never disturbed by

man, may become raw material as soon as the right of appropriating it becomes established. This is its earliest stage. But labour may be further expended in puddling the clay preparatory to the manufacture of bricks, and the bricks may ultimately become the raw material of an elaborate building. The completed product may be circulating or fixed capital, according to its use, as we shall presently see.

The necessity of raw materials as capital in production is a result of the division of labour, and the effect of civilization which enlarges man's capacities and desires, and makes aims attainable which would never be dreamt of by solitary individuals. Either raw materials must be obtained by means of exchange for the product of other labour, or every one must produce his own raw materials. It would be tedious to dwell upon the paralysis that would ensue, when civilization has arrived at any complexity, if every one had to produce raw material for himself. It is an acknowledged law that the higher the organism the more interdependent are its functions.

So a finished product, when used as circulating capital, is an instrument of exchange. A buyer goes to the market with his money, *i.e.* the proprietary right to the product of past labour (or, in the case of credit, with the existing right to the product of future labour). Thus he has at command a union of labour which he would otherwise have to accumulate in units by a more or less tedious process of labour. By exchange he is enabled to transfer this union of labour to where it is wanted, so securing in exchange a union of labour in the commodity he buys. The commodity bought is then applicable to the special undertaking he has in hand, whether for business, in which case it will continue to be capital, or for personal gratification, when it will have passed out of the cycle of capital so long as it is used for that purpose, and in no way as a means of exchange.

§ 9. *Function of Fixed Capital.*

All capital consists of natural things in element, plus labour in various degrees, either actually performed or anticipated in results. There is no permanent line of division between fixed and circulating capital. The distinction does not lie in the capital, but in the manner of its use, whether as a direct or indirect instrument of exchange. When property is sold absolutely it is circulating capital; when it is used for the purpose of securing an income it is fixed capital.

The function of fixed, as of circulating capital, is to facilitate the exchange of the products of labour. In this way, of course, capital is indirectly devoted to creative production, for to render commodities accessible is as essential to their use as to bring them into existence. But the function of capital is no more the creative production of wealth, than is the function of the railway the creative production of corn. The creative production of corn is dependent, primarily, upon the materials and forces of nature, and then upon an intricate series of labour. As the utility of the railway is to facilitate the distribution of the corn, by transporting it to where it is wanted, so the utility of capital, as such, both circulating and fixed, is to distribute the products of labour by means of exchange of services. When a commodity reaches the consumers' hands it has passed out of the cycle of capital.

Take a case of land in illustration, although the same will equally apply to other commodities that are capable of becoming fixed capital, whether tools, machinery, buildings, cattle, etc. The land may be circulating or fixed capital according to circumstances, and the distinction is of no importance except for the purpose of treating rent and interest. How may the owner apply land to his use? In four ways:—

1. He may sell it absolutely.

2. He may let it for a specified term.
3. He may cultivate it for the sake of selling the produce.
4. He may keep it for his own gratification.
 - (a) He may cultivate it by his own effort and that of his family, for the sake of his own or their sustenance.
 - (b) He may turn it into a park or game preserve, for his gratification and amusement.

While the land is used in the first three ways it is capital, and its function, as of all capital, is to facilitate the exchange of the products of labour, existing or anticipated. While it is applied to the fourth use it has ceased to be capital, and performs the function of an instrument of sustentation.

1. In the case of the land being sold absolutely, when it is circulating capital for the time being.

A sells to B five hundred acres of land with buildings, etc., for £33,000. Where are the services upon which the value is based; and how does the transaction involve the distribution of the products of labour existing or anticipated? The value of the land will depend upon the demand for it and the difficulty of attainment. In other words, the value lies in the estimated reciprocal effort the vendor A is willing to render to the purchaser B, and B to A, to secure an exchange of services.

The service B receives from A is the transfer of his proprietary right in the actually existing products of labour upon the land, such as houses, timber, crops, improvements; together with the future use of the land, which, by the application of labour, will yield annual produce for ever.* Mark proprietary rights in the past have been maintained by labour, and their present existence is upheld by labour, and upon the faith of their being maintained in the future B purchases. B has thus transferred to him, by means of his capital of £33,000, the right to existing past

* Cf. § 4, p. 30.

labour, and the right to the anticipated results of future labour in connection with the future use of the land.

The service A receives from B is the transfer of his proprietary right to use and transfer £33,000. Money is a commodity like any other article. Thus A has transferred to him by means of his land-capital the produce of past labour, and the anticipated result of future labour, connected with the future use of the money.

2. The proprietor may let the land for a specified term, in which case it will be fixed capital for the time being.

This case does not differ in essence from the foregoing. In letting, A parts with his proprietary right to occupy or transfer occupancy of the land for a given term to B, instead of absolutely transferring it for ever, as in the case of a sale. The service A renders to B is a transfer of the produce of past, and the anticipated results of future labour for a given term. The service B renders to A in exchange is, say, a rent of £1000 a year during the tenancy, which represents results of past and anticipated results of future labour.

B devotes his energies to agriculture. How does he pay his rent? Social forces (the result of labour) enable him to hold the land in undisturbed possession, a necessity for the application either of his own or of hired labour. He obtains the labour necessary for cultivation, by exchanging the results of other labour (wages), over which he has a proprietary right, with his labourers for their work upon the land. When nature and the accumulated products of labour, in which he has obtained a proprietary right by a series of exchanges, at last produces the harvest, he is able to pay his rent, by transferring his proprietary rights in the produce of labour. Thus, through the medium of money, B exchanges his proprietary rights to a certain part of the produce of the year's labour with A, for

his proprietary right of undisturbed possession (result of labour) which he has enjoyed for the year. Thus the land has been used as capital, and has been an instrument of exchange by which the exchange of services has been effected.

3. The proprietor may turn yeoman and cultivate the land for the purpose of selling the produce, in which case it is fixed capital for the time being.

For the sake of clearness, it will be best to assume that none of the produce is devoted directly to the yeoman's personal use, or that of his family, and that all the produce is raised for the market. We shall have an instance of the land being directly used for sustenance in the next division. Assuming, then, that no produce is used for the sustenance of the yeoman, but, as is quite possible, that all his personal and domestic expenses are provided for from his other property, he would positively have no object in cultivating the land if all exchange of the produce was impracticable. A man would no more accumulate wheat and hay, if he did not want to use either, and exchange was impossible, than he would accumulate shovels, or the shingle upon the sea-shore; far less would he go on increasing cattle under like conditions, involving the increasing labour of attending to them. The one object of expending labour upon the farm would be to exchange the produce of the labour which did not satisfy the yeoman's desires, for the produce of other labour which would accomplish the object.

4. The owner may keep the land for his own gratification.

(a) He may cultivate it by his own effort and that of his family for the sake of his own or their sustenance.

(b) He may turn it into a park or game preserve, for his gratification and amusement.

The land under the conditions (a) and (b) would no longer be capital, for there would be no exchange for

the time being. The land would then be used as an instrument of sustenance, not an instrument by which the exchange of services was effected.

Under the conditions (*a*) only a small part of the farm would be cultivated; only a small part of the stock would be used, the rest must run wild or be killed out of the way; the bulk of the implements would lie unused, for the spade would be more economical and efficient than the plough, the flail than the threshing machine; the buildings would almost entirely be superfluous.

Under the condition (*b*), so long as the park or game preserve was held for the mere object of amusement, without any design of sale, either of the land or produce, it would not be capital according to the definition given in this work.* It would be an instrument of amusement, but rightly classed as an instrument of sustentation nevertheless. It would be the means of gratifying desire for amusement, precisely as it would be, under circumstances (*a*), a means of gratifying desire for food.

It may be well to add another illustration or two in addition to land. A warehouse built and sold upon completion would be circulating capital. If used by the lessee or the owner to carry on business, the warehouse would be fixed capital for the time being. If let, in the ordinary course of business, additional labour would be expended in collecting commodities, in order to facilitate their distribution. The lessee's object in storing the warehouse would be to pay his rent, and to make a surplus profit for his own use; and he would pay the rent to obtain the right to occupy the building, so saving the time and labour of erecting one himself. If the owner himself held the

* J. B. Say, Guyot, and some other French economists, include all wealth under capital, contrary to all English economists, who, however, are at loggerheads among themselves as to what wealth is to be classed as capital. The subject at present is in utter chaos, and needs patient and diligent work to bring it into order.

warehouse for business purposes, it would be the centre of additional labour to that already expended upon the building, and the object of this additional labour would be to make money to spend upon desires he might wish to gratify. So in the case of a plough or any machine sold, or let on hire, or used by the owner for trade purposes. The accumulated labour expended on the machine's construction might be directly sold or let on hire with the object of adding labour, which, in conjunction with the machine, would produce commodities to pay for the hire and to remunerate the hirer, or the machine might be used by its owner to produce by labour commodities for sale. So a cow might be directly sold, or let out on hire, or the owner might keep her for the sake of daily disposing of her milk. Both the circulating and fixed capital would be instruments which facilitated the exchange of the products of labour, and the only difference would be that the circulating capital would be a more direct means of accomplishing the object than the fixed capital. Capital, then, is property in use for trade purposes. For capital is the proprietary right to the product of past, or to the anticipated result of future, labour, intended to be used, or in the course of use, as a means of exchange of services. Capital is an instrument which facilitates the exchange of the products of labour.

Thus, in the above illustrations, the exchange may be accomplished by a direct sale, in which case the capital is termed circulating, and is a means of exchanging the products of labour. Or the exchange may be effected by creating a tenancy for a specified term in consideration of a rent or hire; or the capital may be held by the proprietor himself, with the object of exchanging the results produced. In these two latter cases the capital would be fixed capital, and the results produced and exchanged by the lessee or hirer, or the proprietor using his own

capital, would be circulating capital. The fixed capital would be an instrument which facilitated the exchange of the products of labour through the medium of circulating capital.

The function of capital, as here explained, accounts for capital being so much more plentiful in old countries, where the population is large and the divisions of labour highly organized, than in new countries, where numbers are few, and a visit to a market of any kind is of rare occurrence. Building and machinery are rude in newly settled communities, because more costly and elaborate ones would not as effectually meet the requirements of the case. It does not necessarily arise from the poverty of the community. If more costly buildings and machinery paid, they would quickly appear upon the scene. But until the social mass is sufficiently large to have acquired considerable complexity of structure, each individual in the community is vastly more self-supporting and less dependent than in a more developed and densely populated society, with an intricate division of labour. Hence, in the bush, the spade may not only be more economical, but more efficient than the steam plough; the hand-mill than the gigantic flour-mill; the log-hut, reeking with the perfume of general necessaries, than a huge row of warehouses each for a separate article. So, it is not that a small community does not appreciate the advantages of roads and railways, but the fact that in their circumstances it would be waste of labour to construct them, and it is the same with capital generally on a large scale.

Thus far we have only treated two of the three divisions of capital, viz. material and immaterial property. We have now to turn our attention to incorporeal property, which embraces credit. Mere promises to pay, and orders to pay, are used in the place of coin money, and serve all the purposes of money in commerce upon a gigantic scale. Credit is

capital. The objection that credit is intended to be, and always is, ultimately paid in money, and that the transaction is not finally closed until the credit is paid in money, is a statement which has no foundation in fact, as the statistics of the clearing house plainly prove. In the Clearing House of London alone, in 1881—and there are several other clearing houses in the country—credit to the amount of £6,383,000,000 was adjusted and extinguished by compensation without the payment of any money. Thus a prodigious trade is carried on by a complicated and perfected system of a kind of barter without the use of any coin money at all. A brief sketch of the function of credit will be found in the next chapter.

CHAPTER VII.

THE MECHANISM OF EXCHANGE.

§ 1. THE mechanism of exchange consists of capital of all kinds, for capital is the medium by which services are exchanged. By medium we mean some middle thing by or through which something else is done. The real subjects of exchange are mutual efforts, mutual services, and capital, whatever the form of the commodity—whether material, immaterial, or incorporeal property is the instrument by which services are exchanged.

We have seen there are three distinct species of capital:—

1. Material property, *i.e.* property in material things, already in existence and in possession of the proprietor, such as houses, land, etc.

2. Immaterial property, *i.e.* property which a man has in his own labour, physical and mental.

3. Incorporeal, *i.e.* property in things only to be acquired at some future time, as credit of all sorts.

Property or rights in commodities comprise the following:—

- | | | |
|----------------------------|---|---|
| 1. Vendible commodities | { | <ul style="list-style-type: none"> <i>a.</i> Goods. <i>b.</i> Services. <i>c.</i> Coin money—gold, silver, copper. <i>d.</i> Paper currency, <i>i.e.</i> promissory notes and bills of exchange in all their varieties. |
| 2. The instruments of sale | { | <ul style="list-style-type: none"> <i>e.</i> Debts of all sorts—such as credit in bankers' books, called deposits, book debts of traders, and private debts between individuals. |

§ 2. It will greatly assist us in understanding the mechanism of exchange to comprehend the coincidents of barter, the earliest form of exchange. When vendible commodities are exchanged directly for one another, without the intervention of the instruments of sale—coin money and credit—it is called barter. A sale always denotes a transaction in which one of both of the commodities exchanged is money or credit. It is true we have outstripped the primitive method of exchange by barter; but a sale carried on by the intervention of coin money resolves itself into a kind of compound barter. Moreover, of late years the system of sale by credit has assumed vast proportions, whereby purchases are made in terms of gold and silver coin, but equivalent quantities of vendible commodities are made to pay for themselves.

§ 3. *Barter.*

Barter necessitates the production of vendible commodities, *i.e.* goods and services, and involves mutual labour and a reciprocal desire for exchange. The range of profitable exchange from a social point of view is limited by the quantity of vendible commodities available. This essential fact is not altered by the employment of the instruments of sale (coin money and credit), as we shall presently see, although it will be much more difficult to recognize the fact on account of the complexity induced.

Let A and B comprise a community. A produces food and B clothing for barter, and suppose their united efforts only just meet their wants. Then A's demand for clothing, after he has supplied his want of food, will depend upon his production of food. B's demand for food, after he has supplied his want of clothing, will depend upon his production of clothing. Thus A's supply of clothing depends upon B's production of clothing, and B's supply of food upon A's production of food. So that demand and

supply both depend upon production. The greater the aggregate produce of A and B, the greater the possible demand and supply. However large the community, and complex the exchanges, the same law rules. Professor Cairnes has shown "demand and supply, considered as general facts, are not independent phenomena, but essentially the same phenomena regarded from different points of view; consequently general demand cannot increase or diminish, except in constant relation to general supply."

As production, involving mutual labour, is the primary necessity of barter, and the greater the quantity of commodities produced the more to exchange, we have next to see how reciprocity of desire for exchange between the two parties governs the exchange.

The desire for exchange between A and B will be dependent upon their estimation of value. Now, the exchange value of commodities is based upon the estimation of services. The service consists in the effort it saves. Exchange of food and clothing between A and B will be possible according to the aggregate quantity available for exchange, and the intensity of the reciprocal desire for exchange. The desire for exchange will be regulated according as there is saving of effort realized by A and B. A and B will produce both food and clothing for themselves instead of exchanging with one another, if they find it saves them effort. Thus Bastiat declares it is easy to understand the limits of exchange. "Exchange will go on extending itself indefinitely as long as the effort it exacts is less than the effort which it saves. And its extension will stop naturally when, upon the whole, the aggregate satisfactions obtained by the division of labour become less, by reason of the increasing difficulties attending exchange, than if we produce them by direct production."*

* "Harmonies of Political Economy," p. 112. Bastiat.

§ 4. Vendible commodities were exchanged by barter in primitive communities, and in such cases they were capital, for they were used by each party as tools to secure a service by means of an exchange of service. There would manifestly be many difficulties in such a crude system of exchange. A man having a horse to exchange might find great difficulty in finding one willing to exchange an equal value in sheep. A tailor who wanted a loaf of bread could not give a part of a coat in exchange without destroying the value of his handiwork. There would also be the difficulty in discovering the relative value of commodities, unless there was some recognized measure of value.

Every producer is chiefly occupied in producing what others want, and not what he wants himself. It is, therefore, necessary for him to be able to find, with as little delay, effort, and uncertainty as possible, others who want what he can produce, in order to supply his own wants by exchange. This result can never be effected under a system of direct barter, after the divisions of labour have passed the initial stages; and hence the progress of all societies has been marked by the use of expedients to lessen the difficulties of direct barter, so as to facilitate exchange. In civilized nations the precious metals have been generally adopted. In the more highly organized commercial nations, however, a complex system of credit has in its turn been developed for the purpose of economizing the precious metals, or even of avoiding the use of coin altogether. Gold and silver coin continues to be the common denominator of value, but coin money ceases to a great extent to be the actual medium of exchange, which is passed about between the buyer and seller. Whether the coin money or credit, however, are used to facilitate exchange, the final result resolves itself into exchange by barter. "The exchange is complete only when the man who has made the effort in favour of another

has obtained from him an equivalent service, that is to say, satisfaction. To effect this he sells his service for an intermediate commodity, and then with the intermediate commodity he purchases equivalent services, when the two factors bring back the transaction to simple barter.*

The difficulties, then, of direct barter are overcome by the instruments of sale, which are mere tools to effect exchange. The instruments of sale facilitate the exchange of vendible commodities by measuring values and recording debts, so facilitating the exchange of vendible commodities from one person to another by what Bastiat terms a compound exchange.

The instruments of sale consist of three species:—

1. Coin money—gold, silver, copper.
2. Paper currency—*i.e.* promissory notes, and bills of exchange with all their varieties.
3. Debts of all sorts—such as credit in bankers' books, called deposits, book debts of traders, and private debts between individuals.

§ 5. *Coin Money.*

Coin money is a measure of value and a medium of exchange.

Coin is simply a tool to facilitate exchange, and, like all other tools, is impotent unless it has the materials to work upon. Now, the production of vendible commodities, actual or anticipated, together with reciprocity of desire for exchange, are the prerequisites which enable coin to fulfil its functions. As the use of coin is to facilitate the exchange of vendible commodities, the beneficial effects of coin money are not to be measured by its actual amount, but by the quantity of industry which it sets in motion by affording facilities of exchange, as exchange is the object of almost all production.

* "Harmonies of Political Economy," p. 110. Bastiat. See also "Money," p. 189. Jevons. "A System of Political Economy," p. 315. Shadwell.

Mr. Macleod has taken great pains to point out that "the quantity of money in any country bears no necessary relation whatever to the quantity of other goods, etc., in it, or to their price."

"Many writers on economics * have supposed that the quantity of money in a country bears some necessary relation to the quantity of commodities in it; many more think that the prices of commodities are determined by the proportion which the money bears to the quantity of commodities. That this is a very grievous error may very easily be shown. Let us suppose that A and B are reciprocally indebted to each other for the sale of goods. Let us suppose that A has bought goods from B to the amount of £10, and B has bought goods from A to the amount of £13. Then it is quite clear that there are three different ways of settling their dealings:—

"1. Each may send a clerk to the other to demand payment in full of his debt. This method would require £23.

"2. A may send £10 to B to discharge his debt, and B may send it back to A with £3 more to discharge his debt. This method would require £13.

"3. They may meet and set off their mutual debts against each other, and pay only the difference in coin. This method would require only £3.

"Now, it is quite clear that a very different quantity of money would be required to carry on any given amount of business, according as either of these three methods was adopted. Between the first and the third, there is a difference of £20, but there would be no difference in the prices of commodities. These £20 would not influence prices, but be required to settle debts in a clumsy way. So it is clear that by a simple change in the method of doing business, £20 may be withdrawn from circulation altogether, and applied to new transactions. . . . It is one of the great functions of a bank to promote such a change

* *E.g.* Giffen. See "Essays in Finance," p. 38, second series.

of doing business, and to bring people together to balance their mutual debts without the intervention of money."*

The beneficial effect of coin is to be measured by the amount of industry it generates by facilitating exchange. Coin money is merely part of the mechanism of circulation, but industry is the motive power of creative production which primarily governs the limits of exchange.

Coin money, then, and, as we shall presently endeavour to show, the whole instruments of sale, are a very important part of capital. For capital by our definition is property in use for trade purposes; it is the proprietary right to the product of past, or the anticipated result of future labour, intended to be used, or in the course of use, as a means of exchange of services. Coin will neither feed, clothe, nor warm its possessor; its use is to exchange away for commodities, and so by a process of compound barter to exchange the products of labour; and it belongs, like all other capital, to the distributing system of society.

§ 6. *Credit.*

It is impossible to handle so vast and complicated a subject as the theory of credit in this volume. I can merely touch upon the subject in the briefest way. In my larger work, "Capital and Wages," I have argued at length that credit is capital, and have attempted to point out its legitimate limits.

Credit embraces *d* and *e* of the instruments of sale † of which coin money comprises *c*, viz:—

(*d*) Paper currency, *i.e.* promissory notes, and bills of exchange in all their varieties.

(*e*) Debts of all sorts, such as credit in bankers' books, called deposits, book debts of traders, and private debts between individuals.

* "The Principles of Economical Philosophy," vol. i. p. 208. Macleod.

† p. 58.

"Credit is the right or property of demanding something else when we require it. It is the right to a future payment; and we must observe that credit is not the *transfer* of something else, but it is the name of a certain species of property or right."*

"So also a debt is not money owed, as Peacock and many others suppose; it is the abstract *personal duty* to pay money."†

"When a man purchases goods with his credit, or his promise to pay, the goods become his absolute property, just as if he had bought them with money. But exactly at the same instant that these goods become the property of the trader, there is created in the person of the seller the property or the right to demand payment for them at a fixed time, and also at the very same instant there is created in the person of the buyer the duty to pay for them at the fixed time.

"The right residing in the person of the creditor is always called the credit.

"The duty residing in the person of the debtor is always called the obligation.

"The word 'debt' is applied both to the right to demand and the duty to pay, though it would certainly appear to be better to restrict it to the duty to pay.

"Now, the duty to pay must evidently always remain fixed in the person of the debtor. But the right to demand, or the credit, is the absolute property of the creditor, and he may sell or transfer it, like any other property whatever; and wherever it is so transferred, a nexus or contract takes place between the transferee of the right or the credit and the original debtor, and it will only be extinguished by the re-vesting of the right, or the credit

* "Principles of Economical Philosophy," vol. i. p. 195.

† Ibid., p. 624; also "Theory and Practice of Banking," vol. i. p. 81. Macleod.

in the person of the debtor whence it originally emanated." *

"This right, or this credit, is property which may be bought, sold, or exchanged, imported or exported, or sent from one country to another in exactly the same manner as money, corn, cotton, hides, or any other merchandise." †

The statistics of the clearing house show that transactions on credit are rapidly developing. Claims were settled in 1871 amounting to £5,359,272,000, and later returns show that credit to the amount of £6,000,000,000 are annually transferred between the different banks which join in the London Clearing House without the use of a single coin. ‡

Credit performs all the functions of money, and, like most other things, is capable of abuse. It has not, however, been noticed by economists, when inveighing against the danger of credit, that a useless enterprise involves an equal loss to society, regarded from the aggregate social point of view, whether the transaction is carried on by means of credit or coin money. Supposing, for the sake of argument, that the Panama Canal prove to be an utterly useless undertaking. What would be the loss to mankind in such a case? Why! the whole of the labour expended in the undertaking, including that expended in materials used. Meanwhile the workmen would have been consuming useful things, while they were producing nothing useful, and so were wasting time. Whether coin money or credit had been used would make no difference. The money would exist intact for the use of mankind after the useless undertaking precisely as it did before, although it would be distributed among different individuals; and so would the credit. What mankind would lose would be the vendible commodities (labour of all

* "Principles of Economical Philosophy," vol. i. p. 183. Macleod.

† Ibid., p. 474.

‡ "Theory and Practice of Banking," vol. i. p. 338. Macleod.

kinds, including that expended on materials used) which the instruments of sale (coin money and credit) had circulated.

Stupid people can do just as much harm to society with coin money as with credit. Money, in fact, is the more dangerous tool of the two. Any man, for instance, may continue in a chronic state of drunkenness by the use of his money; but he will not be able to do so by means of his credit. A fool with money has no one to consult, and can engage in any foolish commercial enterprise or personal extravagance. His money in either case is not lost to society, but vendible commodities are. In the case of credit, although the loss to society may be as great if he succeeds in using it, yet there is the safeguard, which there would not be if he possessed coin money, that he must gain the confidence and approval of other persons, whose judgment may act as a check, before he can negotiate his credit. It entirely depends upon how a man spends his money whether his expenditure benefits society. When this is understood, a young spendthrift squandering a fortune, instead of being an object of admiration as at present, will be realized as more dangerous to society than a lunatic, and as equally needing restraint.

It has been the old doctrine that capital is the result of saving; I should say it is rather the result of working. The great bulk of an individual's industry is devoted to providing for the wants of others, and not directly for his own. What he produces for the purpose of exchange is his capital, and the utility of this capital to him is entirely dependent upon its being exchanged for what he desires. A block in the exchange paralyzes his industry, for he has no personal desire for what he has produced. If commodities, produced for the sole purpose of exchange, hang on hand, they are as useless as a supply of tools for which there is no use. It is the function of capital to circulate commodities. The farmer by his

corn brings to himself a coat through the instrumentality of money, which resolves itself into compound barter. And aggregate demand is ultimately dependent upon aggregate supply, as we have seen. The more labour the more produce, and the more produce the greater the demand for exchange and the power of purchase.

Now, so long as it is used within its legitimate limits, the utility of credit is, that it facilitates exchanges vastly more efficiently and economically than could be accomplished by direct barter, or even by means of coin money. Purchases and sales are made in terms of gold and silver, and equivalent quantities of vendible commodities are then exchanged for one another, as they would be in the case of simple barter. Gold and silver coin is used in small transactions, but in larger ones it only intervenes to balance exchanges of unequal value, and only then to a very small extent. In most cases the balances are paid by cheque, or some other instrument of credit, which in due course is passed on to the clearing house to be discharged by what is technically termed set-off, or compensation. Scarcely 5 per cent. of commerce is now carried on by the actual use of coin money.

The same laws govern the limits of credit as apply to the limits of exchange by barter. For exchange is ultimately dependent upon creative production. The greater the mass, other things being equal, the greater the capacity for number of exchanges with profit, for exchange costs effort and cannot profitably be indefinitely increased. As scarcely any one produces what he wants for his personal use, and is dependent upon exchange for what he desires, the more rapidly the exchange is effected the greater the industry set in motion, so long as it can be done with profit. And the profit is not to be measured simply by the gains of certain individuals, but from a social point of view as an actual increase in the aggregate wealth, by rendering it more efficient in

fulfilling its functions. What individuals gain may simply be transfers from losses elsewhere, and such profits make no increase in the aggregate social wealth. Now, the instruments of sale will not extend the limits of exchange by barter above mentioned, and it is only while money and credit work within these limits that they can be profitably employed in facilitating exchange, for the action of coin money and credit, in their final result, is to effect the exchange of vendible commodities by what has been termed a compound barter.

What has been said, therefore, as regards the limits in which coin money can be usefully employed, applies also to the limits of credit. Coin is simply a tool to facilitate exchange, and, like all other tools, is impotent unless it has materials to work upon. Its beneficial effects are not to be measured by its actual amount, but by the quantity of profitable industry it sets in motion by affording facilities of exchange, exchange being the object of the great bulk of creative production. As we have pointed out, exchange of vendible commodities cannot go on profitably indefinitely—the limit is primarily governed by quantity. The more produced, other things being equal, the more for exchange, for demand is governed by supply. While coin can be instrumental in profitably exchanging commodities it is useful; beyond this it is useless and must lie idle, or if used can only produce unprofitable results.

The limits in which credit can be usefully applied are precisely the same. These limits are confined to the possibility of the credit facilitating exchange of vendible commodities with profit. In short, whether the labour expended in producing the capital which the credit circulates produces sufficient results to discharge the credit with a profit. If the proceeds of the labour are sufficient to redeem the credit, with a profit over and above, the credit has in all respects been legitimately and usefully applied; for in such a

case vendible commodities have been profitably exchanged by a process of compound barter, and the desires of the parties exchanging have been gratified by means of exchange of efforts, with greater facility than would have been possible if the individuals had depended upon their own efforts. The credit has, in fact, set labour into action by circulating congested capital.

It is only upon the recognition of capital belonging entirely to the distributing system that the working of credit seems capable of explanation. That credit—debts—does perform the functions of capital precisely as money, or iron, or soap, or corn in commerce is, I believe, indisputable; and money, iron, soap, and corn, if used for exchange, are acknowledged to be capital by every economist, whether ancient or modern. Assuming capital to belong entirely to the distributing system, the action of credit is capable of explanation and agreeable with the assumption, and the mysteries obscuring its action which have so long baffled solution will at length be cleared up. True enough it is not the function of credit to feed and clothe labourers. Manifestly promises to pay written upon paper will accomplish no such miracle: but, then, neither is it the function of wool, cotton, or corn in the capacity of capital to feed and clothe labourers. The capitalists sell these commodities for the very reason that they do not require them either for food or clothing, or, at all events, prefer to sell them for the commodities they buy. When the wool, cotton, or corn respectively fulfil the function of clothing or feeding, they have passed from capital, which belongs to the distributing system, into the consumers' hands, and have entered into the sustaining system. The possessors of these commodities, in such a case, elect to use them for sustenance instead of using them further as tools of exchange, *i.e.* capital.

It is the wages-fund fallacy which has created the

fog around this subject. Upon what grounds can it be maintained that the result of the labourers' work, for which they receive wages, is not capital to them, or that the wages are not capital to the labourers? If a house be built and is wanted to such an extent as to repay the efforts in erecting it, the building of the house will be a profitable undertaking. The finished edifice will be an improved value upon the raw materials. The labour of all kinds involved in its construction will have created this improved value. But this improved value is not the property of the builder until he has bought out the shares of the labourers. The labourers' shares are from time to time measured and exchanged for money (wages). No one denies that when the builder sells the house the improved value arising from the enterprise is capital to him, and what possible reason is there for denying that the labourers' share, for which they have received wages, is capital to them? They sell their share for money (wages), and they exchange their money for necessaries. I submit that so-called productive or unproductive expenditure has nothing whatever to do with the question whether this money in the labourers' hands is capital. The very fact of their buying with the money proves it to be capital, and money has no other use than to buy. Money, when it is performing the functions of exchange always is capital, and can be nothing else. Men cannot eat coin, and if it is turned into bullion or used for ornament or art, it ceases to be coin. Wages, then, I contend, are unquestionably capital to the labourers. They exchange their wages for necessaries, and whether the necessaries so purchased are capital or not depends upon whether they are used again for exchange, or for personal gratification. This is the test and no other. In the event of their being again exchanged, they will continue in the distributing system; if used for personal gratification, they will have passed into the sustaining system.

Here an anticipated objection will require answering. If credit — debts — fulfil all the functions of capital, why should not the world be made rich by writing promises to pay on pieces of paper? This question will be best answered by another. Why should not the world's supply of corn be rendered ample by every nation devoting its energies to the construction of railways? The answer is plain and analogous to that of credit. Railways, no doubt, vastly influence the production of corn, for it would be useless to produce it unless it could be carried where it was wanted. But the supply of railways can only be useful so long as they are not in excess of the demand for carrying power; and, so far as corn is concerned, that will be regulated by the aggregate supply of corn and the want of it. The construction of railways should be regulated by the demand for traffic; it is ridiculous to suppose that the mere construction of railways will create traffic,* as shareholders have in many instances been taught to their cost. Such folly can only involve all concerned in ruinous loss. Merely carrying corn backwards and forwards to give an excess of railway machinery employment will not increase the supply of corn; it will be a mere waste of energy which can produce nothing but disaster.

The case of coin money and credit is analogous. More sovereigns than can be used in facilitating profitable exchanges will be as useless as a superabundant supply of steam engines. They must lie idle, or if used will do more harm than by lying by. It is true they might be converted into bullion, and so put to other uses, just as the surplus steam engines might be converted into metal. The sovereigns, however, in such a case, would cease to be money, as the engines would cease to be engines, and the labour of their construction and reconversion would be lost.

* That is, apart from the question whether the development of the district will require the railway to carry off its productions.

So with credit. The use of credit is to facilitate the exchange of commodities, and by so doing to stimulate industry, as exchange is a necessity arising from the separation of employments. But we have seen that exchange has its limits, and these limits are primarily governed by quantity. If industry from any cause does not supply quantity to meet the demands of the increased number of exchanges with profit, creating additional credit is useless, when the amount already in use is sufficient to carry on every possible profitable exchange, and if forced into use can only be injurious. Such a forced exchange of commodities for the purpose of employing the superabundant credit, is as useless as transporting corn for the purpose of giving surplus railway stock employment. Individual jobbers may make profits, but such profits can only accrue from losses elsewhere, and the total wealth of society can no more be increased by a superfluity of credit, than the world's supply of corn can be augmented by an excess of railways.

CHAPTER VIII.

WAGES. I.

§ 1. WAGES are capital exchanged directly with the labourers for the produce of their labour. Lavelye defines labour as "man's action on nature to the end to satisfy his wants." If we accept this wide definition, embracing the whole sphere of human activity, it is evident that all labour is not rewarded by wages. I have preferred using the term "effort" in this wider sense, confining labour to such efforts as are put forth in view of securing something in exchange. Thus labour is any personal effort, directly or indirectly expended in acquiring capital, and labourers are any individuals who work at accumulating capital.

§ 2. J. S. Mill tells us "the industrial community may be considered as divided into landowners, capitalists, and productive labourers." Practically, however, all three classes may be regarded both as labourers and capitalists, and the various remunerations of their services may all be regarded as of the nature of wages. We proceed to show that the industrial community consists of individuals who are necessarily labourers and capitalists.

Labourers in an economic sense are not confined to the lower orders; they comprise the great bulk of the population. Any one engaged in buying and selling is, in an economic sense, both a labourer and a capitalist for the time being. Whoever puts forth personal effort in view of receiving for it a service in return, in short, with the object of being paid for it,

is a labourer; and the very fact of his being paid constitutes him a capitalist, for he will have exchanged a proprietary right. Whoever, then, sells a proprietary right, whether the property be material, immaterial, or incorporeal, is both a labourer and a capitalist. Hence the land proprietor and the owner of property of any kind whatever, acting in the capacity of vendor; as well as the lessor leasing property; together with agriculturists, builders, hodmen, ploughmen, merchants, judges, clergymen, ballet-dancers, footmen, bankers, and bill-brokers, are all labourers. They all put forth their efforts for pay, and this pay is of the nature of wages, notwithstanding that it is the fashion to give the terms purchase-money, rent, interest, profit, salary, stipend, or wages as ordinarily understood, to distinguish the rewards of some kinds of labour from that of others.

§ 3. A theory so novel will require explanation. How can purchase-money paid to a vendor for a commodity be said to be of the nature of wages? Let us revert once more to the instance of the sale of land,* which will apply, however, to any other commodity. What does the landowner in the capacity of vendor sell to the purchaser? He sells his proprietary right in the actually existing products of labour upon the land, such as houses, timber, crops, and improvements, together with the right to the future use of the land, etc. That is, he receives the purchase-money to buy out the accumulated products of past labour, including that expended in maintaining his proprietary right, together with his right to the future use of the land.

Now, we may imagine, for the sake of argument, that the landowner performed himself the whole labour which produced the existing produce on the land, and by his personal effort maintained his proprietary right. If we suppose that in the capacity of a capitalist, as ordinarily understood, he accumu-

* Cf. § 4, p. 30.

lated the products on the land by payment of wages to workmen and by purchase of materials, the case is not altered. He, or, at all events, some one else, had to render an equivalent service for the labour performed upon the land, and in the production of the materials. In either case the purchase-money he received for the land would be of the nature of wages. It would be a payment for labour performed, just as ordinary wages are a payment for labour performed.* For the labourers expend their labour in increasing the value of a commodity, precisely as the landowner's labour, under the first supposition, or the produce of the labour of some one else which he had acquired by purchase, under the second supposition, would have increased the existing products on the land. The labourers, in fact, create capital, and they have a right to the produce of their labour, or to a certain share of it, which they voluntarily agree to take or exchange in form of wages. Before the employer can acquire the produce of the labourers' work, *i.e.* the labourers' capital, as I maintain it certainly is, he must buy them out by means of wages; and it is not until he has purchased their rights that the future use of what the labourers have produced is vested in him. The purchase-money buys out the vendor's rights in a similar way. He is paid, in fact, for the labour of all kinds expended in producing the existing effects, including his labour in maintaining his proprietary right over them; and this payment is of the nature of wages. The particular advantage attaching to the proprietary right, which makes it an object of demand, will be shown a little further on when treating of the advantages of capital.

In the event of the land (or any other capital) having been acquired by inheritance, bequest, or free gift, the purchase-money may equally be regarded

* Or, what is equally to the point, an equivalent service would have to be rendered by the purchaser to get the advantages if he did not get it from the vendor.

as of the nature of wages. Whether property should be transmitted by inheritance and bequest for generations for the use of individuals, without society exacting anything in return from the person enjoying it, is a question which will be discussed in a future chapter. So long as the purchaser obtains the legal transfer of the property, it is of no moment to him whether the vendor spent great, little, or actually no labour in acquiring his title. As we have already seen in the chapter on value, when referring to a diamond * accidentally picked up, the value of the service performed by the vendor in transferring his title does not altogether depend upon what it cost him to perform; it depends also upon the purchaser's estimate of the service. Irrespective of what the vendor may have done, the purchaser is willing to pay according to the effort he estimates he would have to expend to obtain possession of an equivalent advantage elsewhere. Where land is very abundant nobody may be willing to purchase, because every one can supply himself with what he wants; and no purchaser will give a high price for a piece of land, if he can get another piece equally suitable for his requirements at a lower price.

For a similar reason that the vendor may get more than he has expended, it does not follow that he will always get back all that he has expended. The efficiency of labour increases so rapidly under modern inventions that commodities may often be reproduced at much less cost than at that at which they were originally produced. In estimating the value of the property, the purchaser would estimate what effort he would be saved by having the proprietary right handed over to him in consideration of the purchase-money. If he could acquire the proprietary right by force, and the effort expended in attaining the result was less than the peaceable method of purchase, as might be the case in a rude state of society, the

* p. 20.

chances are he would seize the property by force. In a civilized society the forcible seizure of property is practically impossible. The purchaser's calculations will, therefore, be based upon whether his desire for the property is worth the effort it will cost to acquire; and then, as seizure is out of the question, whether securing it by means of purchase will be less expense of labour than procuring its equivalent by purchase elsewhere, or by his own individual labour, or by purchasing the labour of others in the capacity of a capitalist as ordinarily understood.

As the payment of the purchase-money at a sale may be shown to be of the nature of wages, so is it with rent. For the payment of rent does not differ in essence from the payment of purchase-money in an absolute sale. In letting, the lessor parts with his proprietary right to enjoy and transfer occupancy for a given term, instead of absolutely for ever, as in the case of a sale. The rent is of the nature of wages paid to the lessor, and is a payment for a service representing labour which he renders to the lessee, viz. the guarantee of undisturbed possession during the tenancy. All rent is of a similar character. Perry remarks, "The rent of land does not differ essentially in its nature from the rent of buildings in cities, or from the interest of money."* Macleod also says that rent "is only another name for interest on capital."†

So far, then, for the landowners, the first of the three classes into which the industrial community is divided, according to J. S. Mill. The remuneration of the landowners' services, I have endeavoured to show, is of the nature of wages, whether the remuneration is in the form of purchase-money, as in the case of an absolute sale, or in that of rent. For it is either an actual payment for their own labour, or for the labour of some one else, which is at their disposal, or, at all

* "Political Economy," p. 288.

† "Principles of Economical Philosophy," vol. ii. p. 189; also pp. 19, 20.

events, it is for a service rendered which would cost labour otherwise to obtain. In an economic sense, landowners are both labourers and capitalists.

§ 4. We have now to pass on to the other two of the three divisions into which J. S. Mill divides the industrial community, viz. capitalists and productive labourers, to show that the remuneration of their services is of the nature of wages. In an economic sense, capitalists are both capitalists and labourers; and the labourers are both labourers and capitalists.

The wages of labourers have been discussed at considerable length in a previous chapter, and need not be further enlarged upon here. I there maintained that the labourers produce capital by their labour, and exchange the capital so produced by their labour for other capital in the form of wages. I contend these wages are capital in the hands of the workmen, if they are exchanged again, which is almost certain to be the case, if the wages consist of coin. It will now be necessary to turn to the capitalist, in order to show that he is also a labourer, and that his share, usually classed under the term "profits," is in reality of the nature of wages.

J. S. Mill says, "The gross profits from capital, the gains returned to those who supply the funds of production, must suffice for three purposes. They must afford a sufficient equivalent for abstinence, indemnity for risk, and the remuneration for the labour and skill required for superintendence."

I submit the capitalist's profits, whether in the form of interest or otherwise, are entirely the remuneration of labour, and are of the nature of wages. Interest, the so-called reward of abstinence, is based upon the idea that all capital is the result of saving, and that, in performing its functions, it is consumed, *i.e.* destroyed.*

Only in a very partial sense can capital be said to be the result of abstinence. Labour, not saving, is

* "Principles of Political Economy," vol. i. pp. 86, 88.

“the source from which it is derived;” abstinence does not create, although it may conserve, capital. Supposing a farmer had not more cheese than he could consume for his own use and that of his family. Under such circumstances, by abstaining from eating it, he might have the cheese to apply as capital. But he must live, and if he does not eat the cheese, he must eat something else, which if saved might be applied as capital. So that which is saved in cheese will be subtracted from other food which might have been capital, and mere abstinence will not increase his capital in this case.

On the other hand, supposing the farmer made a hundred large cheeses a month, how could his capital comprised in cheeses be said necessarily to be the result of abstinence? He could not possibly consume the cheeses in his household, and the sole object of producing so large a quantity would be to sell what he did not require. Surely the increase of his capital in cheese would depend infinitely more upon the effectiveness of the labour in producing the cheese and in selling it for a profit, than from the result that could be obtained from abstinence. So, again, when he obtained the cash for his cheese, the further increase of his capital would depend upon the ability and skill, *i.e.* the effectiveness of labour with which the money was used. It would be useless to hoard, and could not be eaten. Assume the money was expended in buying bones for the farmer's meadows. Upon what would the production of the cheese and the production of the bones, which the money was the means of exchanging, have depended? Why, undoubtedly upon the effectiveness of the labour which produced the cheese and the bones. Abstinence would be a factor, no doubt, in the result, as of course great waste might wilfully be indulged in both by the farmer and the producer of the bones. But to say that capital is the result of abstinence is about as true as to say that life is the result of not destroying

one's self. Capital is no more the result of abstinence than is the supply of wheat the result of abstinence.

Then, as to capital being consumed, *i.e.* destroyed, in performing its functions. 'To say that capital is necessarily consumed in performing its functions is quite out of character with the uses of capital, as I regard them. In a profitable undertaking, capital is not destroyed by its use. What destruction need there be in the exchange of proprietary rights? Is a sovereign destroyed in purchasing a cheese, or is a cheese destroyed by being sold? The sovereign may change hands a thousand times, and in every case, I contend, it will perform the functions of capital, quite irrespective of what it buys, or to what purpose the article purchased is put. A cheese may be sold a score of times, and so long as it is an article of traffic it will be capital. When it has come into the consumer's hands it has ceased to be capital, quite irrespective of the individuals who eat it, or of their occupations, whether agricultural labourers or aged paupers. Whether the cheese is capital entirely depends upon its use. If it is consumed for human food it is not capital, if it is used for trade purposes it is capital.

Supposing a farmer fed his pigs on cheese, and consumed the pigs in his own household. The cheese would not have been capital, for no traffic would have accrued either from the cheese or the pigs, and in this case property would be destroyed in the final consumption of the pigs, as would also be the case in any instance when the pigs were consumed for human food.

And it is true the cheese might possibly be consumed in performing the functions of capital; but assuming the cheese was profitably used, in such a case there would be no destruction of capital, *i.e.* of property in the product of labour used for trade purposes. If a farmer found he could profitably feed his pigs on cheese, supposing the pigs were fed to sell, the cheese would be used for trade purposes.

The cheese would be consumed in increasing the value of the pigs, and if the pigs were ultimately sold both the cheese and the pigs would have been capital. But it must be observed if the property in the cheese was lost in its consumption, the property in the pigs was not lost, but was increased, in value by the cheese. Thus there was no destruction in the value of property (capital) by the process, although there was a transformation in commodities, resulting from additional labour expended, which had been the means of enhancing value.*

Property is measured by its value, money being taken as the standard of value. Labour is expended upon commodities with the aim of increasing the value of property. In a civilized community the difference between a little pig and a big pig upon the market, other things being equal, is a difference in amount of labour expended, just as the difference between a lump of iron ore and a pair of scissors is a difference in amount of labour expended.

A little pig = (a natural thing + labour).

A big pig = (a natural thing + labour) + labour.

Iron ore = (a natural thing + labour).

A pair of scissors = (a natural thing + labour) + labour.

A pair of scissors requires more labour to produce than does a lump of iron ore, so that, other things being equal, the property in the scissors will be of greater value than that in the iron ore. There will be no destruction of property (capital) in a profitable undertaking, however great the transformation in the commodities in the process of manufacture. For the property in the pig iron will be of greater value than that in the iron ore; that in the bar iron than that in the pig iron; that in the manufactured scissors than

* The same reasoning will apply in the case of coal consumed in working a steam engine for manufacturing purposes, and also to seed sown in agricultural operations carried on for trade. The commodities may be transformed by labour, but in such cases there is not destruction of capital in profitable undertakings.

that in any of the raw materials composing them. Everything upon the market may be resolved into a natural thing, plus more or less labour, and provided the demand (desire) is equal, the value will be greater or less, not necessarily according to the labour expended, but according to the estimated labour that would have to be expended to secure an equivalent possession. Value does not depend altogether upon the cost of production, but upon the estimated effort involved in obtaining possession of the means of gratification, a fundamental fact which Karl Marx overlooked in his work "Capital."

I submit, therefore, that the foregoing argument leads to the conclusion that capital is not consumed, *viz.* destroyed, in performing its functions.

Capital is the result of labour, and the interest of capital, like the rent of land or any other rent, is of the nature of wages. It is the payment for a service rendered. Capital is an instrument of exchange, and we will ask ourselves why capital is an advantage, if used personally by the owner? Is the capital in the form of money? Try and obtain money, and what obstacles do you find in your way? Proprietary rights hold all the money in existence, and before any proprietor will consent to transfer his rights, an equivalent service in the form of labour of some kind will be exacted. Society will visit you with penalties if you steal; and if you decline by your labour, or its equivalent in the form of capital, to acquire the proprietary right to some of the existing money, you have the alternative of going to the gold diggings, and by your labour acquiring gold, which in the long run will probably be an infinitely more laborious task. The same applies to the acquisition of land, machinery, or any form of capital, material, immaterial, or incorporeal. Apart from bequest, inheritance, and free gift, the proprietary right to any commodity must either be obtained by means of exchange, or by the direct effort of the person acquiring it.

The capitalist starts, then, with the advantage of the proprietary right to the product of past labour, or, as in the case of credit, with the existing right to the anticipated product of future labour. Thus he has at command a union of labour, which he would otherwise have to accumulate in units, by means of a more or less laborious process of labour. By exchange he is capable of transferring this union of labour to where it is wanted, so securing to himself in exchange a union of labour in the commodity he buys, which is applicable to the special undertaking he has in hand, whether for business or for personal gratification.

Supposing the capital consists of a farm and the requisites to work it, including money in the bank. The owner, a yeoman, holds the proprietary right over the results of the past labour of many men; and similar results could only be reproduced by the labour of an equal number of men, by the expenditure, possibly, of an equal amount of time. If the owner only wanted one man, he could possibly himself produce sufficient capital by his own labour to exchange with the hired workman. He, however, wants to hire perhaps thirty men, so that it is clearly impossible for him alone, in an equal amount of time, to produce by his own work an equivalent to exchange with the labour of thirty persons. To enable him to hire the united labour of thirty men, he must hold the proprietary right over the products of a union of past labour; or, what will do equally well, if the credit is ultimately discharged, a proprietary right to the product of a union of future labour. By means of his capital he is enabled by exchange to apply a union of labour to production. His capital enables him to call in the aid of many men, by giving him the capital to exchange in wages for the capital the thirty labourers produce.

Again, supposing the employer desires some additional machines to render the labour of the thirty

men more efficient. He is enabled to transfer to himself the union of labour comprised in the machines in exchange for the union of labour comprised in his money. Both buyer and seller thus secure the union of labour they severally require, and save themselves the time that would be absorbed in constructing and acquiring the skill for producing—even if it were practicable—the money and machinery by their own direct efforts.

By applying a union of labour to production, the employer is enabled to appropriate to himself part of the value produced by his workmen. He bargains with his workmen to give them in exchange for their work wages which are equivalent in value to say 40 per cent. of the market value of the total produce of their labour, which for simplicity we will suppose consists not only of producing but of transporting and selling the produce. The employer, after the payment of taxes and other outgoings, including depreciation of all kinds, has the balance of the 60 per cent. for rent, interest, and profit. The more he can succeed in appropriating of the value produced by his workmen, the greater his repute for "business capacity." If competition for work enables him to secure workmen at 35 per cent. instead of 40 per cent. of the total value of their produce, *cæteris paribus*, his gains will be proportionally increased. It is labour that produces the profit, the capital assisting only in so far as it promotes the profitable separation of employments by facilitating exchange.

Now, divest the yeoman of his capital, and how is his position altered? Being deprived of his capital, in order to obtain something in exchange, he must produce something for exchange. He still has a right to his labour, but proprietary rights leave him nothing whereon to apply it, and he therefore has to seek an employer. Having now to compete in the open market, he will find that he does not obtain even the unit of value which his labour produces; much

less can he acquire the control of a union of labour to apply to production. Like other workmen, he will have to take for his unit of labour what is left of the value of his work after the proportional claims of rent, interest, and profits have been satisfied. This residue the competition for work among workmen may beat down to the bare necessities of existence. However rarely gifted a man may be, it is scarcely possible for him, under any circumstances except perhaps by some great invention, to get rich by his personal exertions, unless his gains accrue from losses elsewhere. Of course a man may make a fortune by a lucky speculation on the Stock Exchange, but then his gains will accrue from other people's losses. Lawyers without clerks, or doctors without assistants, could scarcely make fortunes, especially as their present clerks and assistants would probably compete with them as rivals.

If used, then, by the owner himself in business, the advantage of capital is that it gives him the wages of superintendence for his labour, and the power of appropriating a greater or less share of the produce of the workmen's labour. If he can appropriate a little of the value from the produce of each workman, and he has a number employed, he is thus able to secure, in the aggregate, a far greater value than he could possibly produce by his individual labour however applied. Consequently, capital is a very useful instrument, and the loan of it fetches a price. If the owner does not care to engage in business, there are plenty to compete for the use of the capital, and to pay a rent or interest out of part of the profits they expect to make from its use.

If the owner loans his capital, the interest, like rent, may be regarded as his wages paid by the borrower for the service of securing him undisturbed possession of the capital during the term of the loan. The amount, or rate of interest, is decided by what the borrower would have to expend to gain a similar

advantage; for value does not altogether depend upon cost of production.

If the owner trades with his own capital, he will expect more wages as the profits of his enterprise than if he were trading with borrowed capital. He will expect as much more as a solvent person would be willing to pay for the loan of the capital. But it makes no difference whether in this case we regard the nett profits as made up of this interest, with the wages of superintendence and indemnity for risk added, for all are really remuneration of the nature of wages. They are payments for labour performed in acquiring and maintaining the proprietary right to the capital (*i.e.* interest); or for the employer's labour in successful supervision, either in increasing the productiveness of the enterprise by his administrative ability, or in successfully appropriating part of the value produced by his workmen. In commerce the profits are equally of the nature of wages. The interest is a payment for labour as in the former case. The wages of superintendence and indemnity for risk are for the merchant's labour in transacting either "profitable exchange," in which case they are legitimate and for the social weal, or for successfully appropriating from elsewhere what has already been appropriated as profits, in which case the profits accrue from losses elsewhere.

There is, of course, a perfectly legitimate wage of superintendence as the actual production of the employer's labour.* By applying a union of labour to

* The following is taken from the *Spectator*, Feb. 4th, 1888:—

"Dr. —, one of the paid managers of a very large college, to all external appearance, was an absolute slave to idleness. He never did anything that onlookers could see, except lie on a sofa, glance over rather than read piles of literature, taking up novels by preference, and occasionally chat with a colleague or a student. An inspecting committee, who observed this, determined to visit him with censure, but wished for official evidence to ground the censure on, and accordingly summoned a particularly hard-working and energetic colleague of the doctor's before them. 'What does Dr. — ever do, except lie on a sofa and skim novels?' asked the chairman. 'Nothing,' meekly

production the labour is far more efficient, and the aggregate result much larger than if the labour was supplied separately by an equal number of men. When numbers co-operate in any work, administration becomes imperatively necessary to the success of the enterprise. The employer acts as the administrator of his workmen, and he is as much entitled to a wage in the shape of profits as any of his workmen are to their wages, for he actually produces capital which he exchanges for his wages (profits). Moreover, the wages of administration will always necessarily be higher than the wages of the mere application of common labour. In addition to this, under existing industrial arrangements, the employer undertakes the whole risk of the enterprise, and therefore is entitled to additional remuneration for his risk. It is not to be denied, however, that the employer has a vast power of appropriating what should fairly go to the workmen, which it would be well if possible to regulate more effectually than has in some measure been done by the action of trades unions. Not only does the employer secure the full wages of his services, but he is too often enabled to appropriate to himself an undue share of the value produced by his workmen. He benefits, in fact, from monopoly, which places him in a position to take advantage of the competition for work among workmen.

Indemnity for risk, which Mill includes in profits, has not the importance, as I regard the functions of capital, that it has under the teaching of the Ricardo-Mill school of economists. Practically, capitalists are compelled to use their capital. The only advantage

replied the hard-worker; 'nothing that I am aware of, except eat, and *make the college succeed.*' It was perfectly true; Dr. — could not 'work,' in the ordinary sense, without a sense of fatigue and irritation, which paralyzed his great powers; but if you would leave him to his reflections and his ease, he could both govern and guide; and he did. To make him work, even at teaching, which was his ostensible business, would have been to throw away power worth, even in cash results, at least ten times what his labour would have saved."

to an individual of the great bulk of his property is to use it as an instrument of exchange, *i.e.* capital. It can only be used by an individual as an instrument of sustentation to a very limited extent. The clearest example of this truth is money.

The possession of money is only useful as a means of buying; it will neither feed, clothe, or warm its possessor. An individual can only use a very limited area of land as a direct instrument of sustentation, and he would have no object in extending his proprietary right over a larger area than he could use, unless he applied it as capital as an instrument of exchange. The property of a piano might be a source of gratification to its owner without being capital, but the property of one hundred would be useless except to use as capital. A canoe might be an advantage to a solitary person; one of the Atlantic steamers, as such, would not be so. Mr. Ruskin* forcibly illustrates the truth I have here brought forward; "An accumulation of real property is of little value to its owner, unless, together with it, he has commercial power over labour. Thus, suppose any person to be put in possession of a large estate of fruitful land, with rich beds of gold in its gravel; countless herds of cattle in its pastures; houses, and gardens, and storehouses full of useful stores; but suppose, after all, that he could get no servants. In order that he may be able to have servants, some one in his neighbourhood must be poor, and in want of his gold, or his corn. Assume that no one is in want of either, and that no servants are to be had. He must therefore bake his own bread, make his own clothes, plough his own ground, and shepherd his own flocks. His gold will be as useful to him as any other yellow pebbles on his estate. His stores must rot, for he cannot consume them. He can eat no more than another man could eat, and wear no more than another man could wear. He must lead a life

* "Unto this Last," p. 43.

of severe and common labour to procure even ordinary comforts; he will be ultimately unable to keep either houses in repair, or fields in cultivation; and forced to content himself with a poor man's portion of cottage and garden, in the midst of a desert of waste land, trampled by wild cattle, and encumbered by ruins of palaces, which he will hardly mock at himself by calling 'his own.'

To sum up this part of our argument: Although the great bulk of a rich individual's property would be useless to him apart from exchange, its possession affords great advantage when applied as capital in the market. It enables the owner, by means of exchange, to transfer to himself a union of labour in the particular form he desires it, which he can apply either for business purposes or for personal gratification. In this way he secures commodities which would altogether be out of his reach, if he had to depend upon his own effort for their production. As a capitalist he goes into the market with the proprietary right to the accumulated products of labour, and what he buys may be regarded as the wages of labour performed in the commodity he sells, whether money or any other.

Thus capital is a useful tool of exchange, which necessitates both time and labour to acquire. Consequently, such a useful tool commands a price for its loan, which is interest. Interest, like rent, is a payment for the transfer of certain capital for a term; and both interest and rent may be regarded as the lender's wages paid by the borrower, for the service of securing to him undisturbed possession of the capital during the term of the loan. The other elements of profit, viz. "wages of superintendence and indemnity for risk," are still more plainly a remuneration for labour. The wages of superintendence, as the name imports, is remuneration for the employer's labour, and what is secured as indemnity for risk is the reward of skill and watchfulness, which

have avoided danger, and might be included in the wages of superintendence. Thus the whole elements of profit—"interest," "wages of superintendence," and "indemnity for risk"—may be regarded as of the nature of wages; and the division of profits under these three heads is merely artificial. Profits, in reality, are of the nature of wages. They depend upon the success of the employer's labour in earning the wages of superintendence, which includes gaining an advantage in exchange over his workmen, or in the case of commerce in the traffic of the market.

§ 5. Having now treated in detail the three classes into which J. S. Mill divided the industrial community, viz. landowners, capitalists, and productive labourers, I have endeavoured to show that the three classes are really in a strict economical sense both labourers and capitalists. I contend, in short, the industrial community consists of labourers who produce capital by their labour. This capital is distributed under various terms, all of which are of the nature of wages, viz. purchase-money representing past accumulations, together with rent, interest, profit, and wages ordinarily so-called, representing current productions.

Bearing in mind that purchase-money, rent, interest, profits, and wages ordinarily so-called, are all of the nature of wages, I shall still continue to use these terms, for it would be impracticable to banish them. I shall, however, sometimes speak of the whole or any of the above as distributions. By distributions, then, I shall mean property accruing to an individual or class in some one, any, or all of the forms of purchase-money, rent, interest, profits, or wages. Sometimes I shall mean by the term distributions the total productions of society of which purchase-money, rent, etc., are distributions.

As I contend every labourer in the industrial community is necessarily a capitalist, it will be necessary for me to invent a term to occupy the place of the term "capitalist" as ordinarily understood. Sometimes

"employer" will meet the needs of the case and be the least confusing. But financial agents, such as bankers, etc., can scarcely be called employers, however well that term may apply to agriculturists and manufacturers. When, therefore, the term "employer" does not meet the needs of the case, I shall use the word "distributors" as a generic term for capitalists of all kinds as generally understood.

§ 6. It will now be my aim to point out the importance to the social welfare of labourers of all classes being fully employed, and obtaining a fair remuneration in exchange for their labour, for unquestionably there is "a solidarity of interest between customer, capitalist, and workman."

The function of labour embraces not only the production of capital, but the distribution also. The one is to a very great extent dependent upon the other, a fact that has hitherto not been sufficiently recognized. Labour, we have seen, in its strict economic sense, is any effort, physical or mental, which demands for itself something in return. Labour is expended with the aim of acquiring capital, whether the labour results in creative, manufacturing, or commercial production; but it is acquired for the sole purpose of being distributed. For long before a society has attained anything like the complexity of the one under which we live, the great bulk of an individual's wants are supplied by means of capital. Apart from bequest, inheritance, and free gift, there are very few commodities we enjoy that have not been secured by means of capital. Very few, if any, of the things we possess are the result of our individual efforts, where from first to last some labour beyond our own exertion has not been expended and purchased by means of capital. All labour, in its economic sense, is expended to acquire capital; the labour being expended in order to gain a proprietary right as a means of exchange. Thus the ploughman ploughs, not merely for the pleasure of turning over the furrows, but in

order to gain a lien upon the work done, and so to acquire capital to exchange for his wages. A footman waits upon his master, not because he simply desires to please him, but for the purpose of acquiring capital for himself. He gains for his service the proprietary right to demand his wages, and this right is not discharged until his wages are paid. He thus exchanges his right to payment for the right to the wages. The banker places a sum to the credit of his customer, not for the pleasure of incurring the risk of lending money, but because he reckons he will get back an equal amount for the loan, and will gain the proprietary right to demand his wages in addition, viz. interest for the loan.

As all labour in its economic sense is expended to acquire capital, so all capital is the result of labour, for capital must be property. However little labour may be expended in other respects, the proprietary right necessitates labour—personal and juridical—to attain and maintain, as has been pointed out in a previous chapter. Even in the case of credit, which is founded on the anticipated result of future labour, the right to the future result is existent. It is this right that is property and capital, and this right results from, and is maintained by, labour.

Although all capital originates from labour, the production of capital is dependent not only upon creative and manufacturing labour, but also on the labour of traffic to insure the efficient circulation of capital. As every producer, whether creative, manufacturing, or commercial, is mainly occupied in producing what others want, and not what he wants for himself, congestions of capital readily develop which paralyze labour, unless moved off by the circulation of other capital. It is useless for the producer to go on accumulating what he does not want, if he cannot sell. Such a course would bring about over-production as far as he is concerned. The object of almost all production is exchange, and if exchange is paralyzed,

labour ceases for want of an object. It is, therefore, very plain to see how easily over-production may arise among individual producers. But over-production of this character does not proceed from too much being produced to meet the requirements of society ; it arises from a stoppage in the circulation of distribution.

§ 7. The common notion of over-production, from the aggregate social point of view, is one of the most absurd fallacies of our time. A newspaper can scarcely be read without meeting with this over-production fallacy. Farmers are gloomy at the depression of their industry ; manufacturers are at their wits' end to know where to dispose of the vast produce constantly flowing from their factories ; merchants have for years been lamenting the stagnation of trade. Competition is daily increasing, and a serious panic has seized the public mind, impressing upon it more deeply than ever the creed of trade, "Every one for himself, and the devil take the hindmost." It never seems to strike the higher and middle classes, panting to maintain their position in the foremost ranks against an ever increasing competition, that the struggle, with its attendant misery, is induced by the selfishness of the upper sections of society, in their utter disregard of the welfare of the masses. They fail to perceive that the class legislation of the few upper thousands is paralyzing the energy of the millions, which otherwise might produce sufficient to afford plenty to all. At one time the cry is, Over-production : more is produced than is wanted. At another, Emigrate to avoid the evil effects of the Malthusian law ; for sufficient cannot be produced to supply the needs of the population. Unhappily, society does not yet realize, although the dawn of better things is faintly visible, that the existing evils are the necessary result of our social and commercial creed. "Every one for himself, and the devil take the hindmost," is a hog policy, which, in its disregard of

others' claims, fouls its own food and spoils the remainder.

I am not so ridiculous as to deny that more goods can be produced, and very easily produced, than will *sell*. All I affirm is, that very few, if any, are produced in excess of what are wanted. It is not that the millions do not want the goods, but that they lack the means to buy them. Had the millions capital to buy, there would be no congestions of capital on the manufacturer's hands. On the contrary, his capital would flow away as fast as he could accumulate it, immensely increasing his trade.

The cotton trade has for some time past been greatly depressed. Some have supposed that the Limited Liability Companies at Oldham have been in a great measure the cause of the so-called over-production of cotton. That the cotton goods would not sell at remunerative prices, so as to take off all that could be produced, is quite certain. But who can walk along the streets and notice the clothing of nine persons out of ten, and yet suppose that more cotton goods have been produced than have been wanted? Who, with the most casual acquaintance with the houses of the poor, can imagine all the domestic wants for cotton goods have been supplied? The brick and slate trades have had their dark days; heavy stocks have remained on hand, and we have heard again and again the over-production lamentation. How little do the affluent know, or care to know, of the homes of the poor! There will be no need to talk of the over-production of building materials, while there is no better shelter for the lower orders than the miserable hovels with which our towns abound. It is not that the squalid wretches, who are condemned unpitied to spend their lives in these unsanitary dens, do not desire more wholesome habitations; it is because they lack the means to buy. The more urgent wants of our humanity—food and warmth—have first to be satisfied. Anything beyond

supplying these primary wants, which their labour has produced, is too frequently wrung from the working men by an iniquitous system of exchange; and the energy left, which still might be put forth, is paralyzed by the monopoly of the land.

I fearlessly affirm the degradation and hopeless misery so prevalent among the masses, engendered by want of employment and just wages, is due to under-production instead of the much talked of over-production. In a former chapter Professor Cairnes' argument, that demand and supply conceived as aggregates are phenomena strictly connected and mutually dependent, has been referred to. It was there shown that neither demand nor supply can increase or diminish without implying a corresponding increase or diminution of the other. "Demand and supply, considered as general facts, are not independent phenomena, but essentially *the same* phenomena regarded from different points of view; consequently, general demand cannot increase or diminish except in constant relation with general supply."

Take the cotton trade, of which we hear much of depression at frequent intervals. Supposing it were advertised that all requiring cotton goods could obtain as much as they wanted gratuitously, provided only so much were taken as could actually be used by the several applicants and their families, a special stipulation being made that none of the goods bestowed by the donors should afterwards either be sold, exchanged, or given away by the receivers. How long would the so-called plethora of cotton goods exist? Is it not positively certain the warehouses would be empty in a few days, and the existing mills totally inadequate to supply the demand? The supply might be increased tenfold, perhaps a hundredfold, and yet there would be no over-production, until the supply was greater than was needed to satisfy the wants of the world for cotton goods—an event of the distant future.

Take another supposition. Imagine existing industrial affairs without the instruments of sale, *i.e.* coin money and credit of all kinds, whether paper currency or debts. In fact, a state of affairs in which all trade was suddenly reduced to barter. Under these circumstances, upon what would the circulation of the cotton goods depend? There would not be the remotest chance of over-production because no one wanted cotton goods; but there might very easily be a stagnation in the circulation of the goods from a lack of a supply of capital among the millions desiring them. What hinders the millions buying is the wherewithal to make the exchange, without sacrificing capital needed to secure the gratification of more urgent wants. The circulation of the cotton goods, *i.e.* capital, would depend upon the circulation of other vendible commodities, *i.e.* capital, coming for exchange for the cotton; and the additional supply of cotton goods would depend upon the additional supply of other vendible commodities.* In other words, the supply of capital at one point would depend upon the supply of capital at some other point. So, regarding the aggregate of vendible commodities, the supply of one particular class depends upon the supply of some other class. "In other words, under the simplest and most elementary form of exchange, demand and supply, as general phenomena, as aggregates, could not be discriminated. Each commodity would be in turn supply and demand—supply in reference to the person seeking to obtain it, demand in reference to the person who needed it as a means of obtaining something else." To increase the general demand there must be an increase in the general supply, the one depending on the other; for the total demand for vendible commodities, regarded in the aggregate, would be represented by all the vendible commodities offered in exchange for other vendible commodities, and these would also

* Cf. § 3, p. 59.

constitute the total supply of the community.* But the increase of the general supply would depend upon efficient distribution. Supposing one-sixth of the population held all the capital, except what was just sufficient to procure for the remainder the absolute requisites of existence. The demand for cotton goods beyond absolute requisites would then be confined to one-sixth of the population, and this demand would govern the supply, as it would cause "over-production" to produce more. The few would not want, more, and the many would have nothing to exchange.

Production, *i.e.* supply, is the primary requisite of profitable exchange. Of what does this supply consist? It consists of the total capital of the community — the aggregate proprietary rights to the product of the past, and the anticipated results of future labour, intended to be used and in the course of use as a means of traffic. Now, if the labour of a community produces less capital in the aggregate, the supply is less in the aggregate; and the total demand of the community would be represented by the total capital it offered for exchange, so that the total demand would be governed by the total supply. This would be the case in simple barter; but the essential character of exchange is not altered by the instruments of sale, whether coin money or credit. Buying and selling only move about vendible commodities.† The limits of exchange have frequently been pointed out. The aggregate quantity of available capital is the important item. Both manufacturing and commercial production are limited by the quantity of creative production; and so is also the profitable exchange of commodities. The intro-

* Cf. § 3, p. 59.

† "It follows, therefore, that the relation of general demand and general supply to each other is not affected by the employment of a circulating medium, but continues essentially the same under a monetary, as under a barter, *régime*."—"Some Leading Principles of Political Economy," p. 31. Carnes. See this volume, § 4, p. 61.

duction of coin money and credit, however much it may obscure, cannot alter this fundamental truth. More sovereigns than can be used in facilitating profitable exchange will be as useless as a superabundant supply of steam engines. They must be idle, or if used will do more harm than by lying idle. And the same will result with the use of credit.

§ 8. An individual or class may get rich at the expense of the rest of the community, but it is impossible for a society in the aggregate to become rich by preying upon itself. The aggregate capital of a society primarily depends upon the efficiency of its labour in creative production. Although all capital originates from labour, the growth of capital depends not only upon creative and manufacturing labour, but also upon the labour of distribution. The object of almost all production is exchange, and if exchange is paralyzed labour ceases for want of an object. The present unjust distribution of capital ruinously affects the productive power of the community, and the *distributors* as well as the workmen feel its evil effects.

Ireland affords a striking example. The Irish landowners have used their capital (proprietary rights to the land) in such a manner as to wring from the tenant a grossly unfair proportion of the capital produced by his labour. All the capital the tenant's labour has produced, with the exception of that spent in procuring the barest necessities of existence, has gone in rent to the landlord in purchasing what is practically permission to labour. The cry is, "There is no capital in Ireland!" Is the cause far to seek? The rapacious landlords have produced nothing, and have taken the utmost possible capital that has been produced to spend out of Ireland. What is the use of sending English capital to Ireland under the existing order of things? The function of capital is exchange, and the rapacious landlords have taken away everything exchangeable, while they have curbed all enterprise by rack-renting. It is not that commodities

are not wanted in Ireland ; it is the poverty of the inhabitants that prevents their buying, and iniquitous laws so handicap their labour that the acquisition of capital is impossible.

The population of Ireland is rather too small than too large for the greatest production of capital. There is a far more effectual remedy for Ireland's affliction than the emigration of the so-called surplus population, and that is a root and branch reform of the proprietary rights to the land. Let the landowners go and cultivate the soil of Ireland if they will ; but if they elect not to do so, it is high time for the legislature to prevent Ireland being driven further into barbarism by the landowners distributing among themselves, by means of their proprietary rights, the great bulk of the workmen's annual produce. Once let the proprietary rights be fairly adjusted, and Irish labour would soon make capital abound. The rapid, almost supernatural, recovery of France after the exhausting struggle with Germany in the Franco-German war, saddled as she was with the payment of a gigantic indemnity of £220,000,000, created universal wonder, and was never explained, and never could be, under the current theory of capital. That Ireland should recover as rapidly is not to be expected, on account of the degradation into which her population has fallen. There is little doubt, however, that the present state of affairs would speedily alter for the better, if the labour of her people had full play, and the rights to the capital produced were so secured to the workman, as to ensure gains commensurate with nature's returns for the toil expended.

But it is not only the land proprietors who may get distributions in the form of rents out of all proportion to the labour they perform in production ; distributors often obtain distributions in the shape of profits out of all proportion to the labour they perform in production. If they do not produce an equivalent by their labour for the distributions they secure, they

can only take them from the production of other labour, and this has the effect of paralyzing the labour of the real workers of society, in proportion to the extent of the injustice. It is of the utmost moment to the public welfare that every labourer should secure a fair exchange for the produce of his labour. This is especially the case as regards the distributions in the form of wages with the working classes, ordinarily so called, for they embrace over two-thirds of the community.*

I cannot bring this truth more forcibly before the reader than by giving an extract from Mr. Illingworth's "Distribution Reform." †

"We hear great outcries of the disastrous fall in prices; from some quarters we are told this is because of the appreciation in the value of gold and the depreciation of silver. The simple truth is that the fall in prices is the natural law enforcing itself; it is too strong and too powerful for the monopoly of man. The fall in prices is the gift of nature, in reward for man's labour. With morality in exchange, and economy in distribution, a fall in prices would be a boon to all men, not even excepting the capitalist, who now regrets it, and fears the consequences.

"In our desire to increase wealth, we have increased man's capacity for reproductive labour a hundredfold; nature, as she ever will do, has rewarded the labourer seven times seven. In this enterprise for wealth we have discovered vast continents; by the aid of machinery and labour we have replenished the virgin soil, and obtained ever increasing supplies, until we now begin to cry, 'Enough, enough!' The constantly increasing supplies are reducing prices; there is overproduction. Let us protect the value of our wealth by limiting production.

"With all this increasing supply, what about consumption? We pay the agricultural labourer 10s. to

* "Wages and Earnings of the Working Classes," p. 2. Leone Levi.

† p. 31.

12s. a week; we sell him back the product of his labour at 100 per cent. profit, and wonder that consumption does not keep pace with production. The Lancashire spinning and weaving operatives produce a fabric at 5*d.* per yard, it passes through the hands of two or three exchangers, or distributors; for the privilege of buying back for their own consumption the fabric they had conjointly made at the cost of 5*d.* per yard, they have to pay the last distributor, the retailer, 10½*d.* per yard. The wages of cotton piercers average the mighty sum of 6s. per week, and weavers about 14s. per week for full work.

“The spinners and weavers in the worsted trade manufacture a dress fabric which costs the manufacturer, after payment of their labour and of all other expenses, 1s. 6*d.* per yard; the weekly wages of spinners, working fifty-six hours per week, average 9s. to 11s.; and weavers ‘minding’ two looms, 14s. 6*d.* The fabric they have produced at a cost of 1s. 6*d.* per yard, after passing through two or three hands, is retailed to them at 3s. per yard—just 100 per cent. profit. More than half our population are employed in agriculture and industry, or maintained on the wages earned therein; their productiveness is vast, their wages of the scantiest nature, ever being checked by competition. In supplying their consumptive wants they get no benefit from competition; but by a complicated and insane system of middle-manism they are gammoned and befooled. What they have produced under the severest competition is resold back to them at 100 per cent. profit. They who have contributed most to making the wealth are extorted; the exchangers of their labour and distributors of the wealth become rich out of the profits made in exchange. The production is great, but the consumption of the producers is small.

“After complaining of the vast production and scanty consumption at home, we look abroad for new markets. We take an Eastern country, say Egypt;

we reason among ourselves that Egypt has rich natural resources—corn, cotton, and other products grow there profusely in the fertile valley of the Nile. We will get an exchange in sending our manufactured goods for their cotton and corn; but we overlook the fact that the purchasing power of a community is in proportion to the distribution of its wealth, and not in proportion to its accumulation. The lot of the producer in Egypt is worse than the purchasing power of the operative at home, and that is bad enough. Forced labour prevails; yet in that country, where three successive crops may be gathered in one year, the condition of those engaged in agriculture is one of extreme poverty and wretchedness; the sheikh, the pacha, or other grandee, enrich themselves, and live luxurious and debauched lives at the cost of the suffering and misery of the peasant. If his purchasing power was measured by the productiveness of his labour and the bountifulness of nature, the Egyptian peasant would require three times the quantity of European manufactures now exported thither.

“In India we have a teeming population of 254,000,000. The amount of British exports thereto in 1883 was £33,382,786, an average of only 2s. 7d. per head of the population. The population of British Australasia, including Fiji, but excluding New Guinea, is about 3,100,000; the amount of British exports thither in 1883 was £26,839,490, averaging about £8 13s. per head of population. The amount of imports into Great Britain from British India, in 1883, were of the value of £38,882,829, averaging about 3s. per head of its population. The imports here from British Australasia in 1883 were valued at £25,936,201, or about 3 10s. per head.

“The total value of the foreign trade of British India in 1883, in exports and imports of all kinds of merchandise, averaged about 5½ rupees (equal to 9s. 6d. in English money) per head of the population.

In 1882 the total value of the exports and imports of the British possessions in Australasia amounted to £108,690,000, an average of £35 per head of population. In 1883 the total value of imports and exports to and from the United Kingdom of Great Britain and Ireland was £732,328,649, or a proportionate average of £20 11s. 3d. per head of population. Here we have three examples from within our own empire. The economic conditions of the three countries may not be exactly parallel; the necessities of one may be greater than another, or the richness of the soil of one greater than the others, yet they are not so totally different as to explain away the fact that the surplus production of an Australian is seventy times greater than that of a Hindoo, nor that the repurchasing power of an Australian should be a hundred and thirty times greater than the Hindoo.

"The total imports and exports of the United States of America in 1884 were 1,408,211,302 dollars, equal to about £281,640,000; the estimated population in the same year was 57,000,000, giving an average of £4 19s. per head.

"The inference to be drawn from these facts is a confirmation of the law that the labour of man is like the fruitfulness of the earth; the more it receives back of its own, the more it reproduces in return. Those countries where man's labour is directly applied to nature, and the distribution of the proceeds is equitably distributed, will be the most prosperous; their re-consumptive capacity will be in the same ratio as their productiveness. Australia is a brilliant example of this truth. Though the productiveness of the soil of a country might with good cultivation be great, if any artificial barriers exist, any obstruction of natural law, and if the wealth produced, such as it is, be inequitably distributed, the re-consumptive powers of the people will be small, their progress fitful and uncertain, their social condition insecure.

"It is of the highest importance to British industry that in our colonies and dependencies, whilst encouraging agriculture, husbandry, and every means to the production of wealth, we should at the same time inculcate the importance of its distribution, remembering that the more each individual producer or labourer receives back as his share of his own industry, the more will be the individual, and hence the greater the aggregate, reconsumption. The sure foundation of a scheme of imperial federation rests on a moral, and not a legislative bond. Our colonies and India can only be bound to us and we to them by the tie of mutuality of interest. No chain, however strong, can be forged by the statesman that will be half so powerful as kindred interests and mutual help."

Mr. Illingworth has not in the foregoing quotation in any way exaggerated the importance of a just distribution of wealth; or, as I should put it, the importance of a just distribution of capital among the labourers producing it. All productive labour is expended either upon the creative, manufacturing, or commercial production of capital. But capital is only a means to an end. It is produced to exchange for commodities that will gratify the desires of the labourers; and its continued production will, therefore, be dependent upon its exchange. The means by which the exchange is brought about, whether in the shape of purchase money, rent, interest, profits, or wages ordinarily so called, may all be regarded as of the nature of wages. The classes distributing among themselves the rents, interest, and profits, have hitherto appropriated an undue proportion of the aggregate capital. Statistics* show that less than one-third of the population appropriates two-thirds of the annual income, leaving one-third of the annual produce for the workmen who are twice as numerous as all other classes put together. A question there-

* p. 114.

fore of the greatest interest and importance suggests itself—how are the proletariat to secure a just rate of distribution, in the form of wages, in exchange for the capital they produce?

As capital may be material, immaterial, and incorporeal, which includes mental as well as muscular energy, the one never being entirely separable from the other, we have no means of gauging the quality of labour, even supposing we can roughly measure its quantity by the time expended. It will be impracticable, therefore, for the legislature successfully to fix a standard of payment as the reward of labour by arbitrary enactment. What it can do is, in some measure, to protect the weak from being preyed upon by the strong. It does, indeed, protect the infant during minority from being defrauded, as it protects the adult from slavery. Modern legislation has gone further than this, and is familiar with factory acts, education acts, sanitary acts, etc. It only awaits the development of the intelligence of the masses to extend legislation on these lines. The legislation of the future will, no doubt, be able indirectly to regulate the minimum wages. Probably this will be effected, not by fixing a standard of wages, which failed in the past; but indirectly by protecting the workmen against the rapacity of landlords and manufacturing and commercial producers, so that the workmen shall at least secure in exchange for the capital they produce an adequate value. Nor is it impossible roughly to define the minimum reward that should fall to the workman under a just system of distribution. An abundant sustenance is nature's return to any man whose exertion is rightly applied. An individual's toil will secure from nature, food, clothing, and shelter in rough plenty as a reward. The productive power of a community is greater, man per man, than that of a solitary individual; and the larger a community, *ceteris paribus*, the larger the productive capacity head per head. This modern statistics

prove. Social barriers, in the form of unjust laws, at present hinder nature's beneficent provision reaching the lower millions.

It is not intended to be inferred that an equal distribution is advocated among all classes. Uniformity is not the law of nature ; on the contrary, her handiwork seems rather to result in diversity. Some men will always be capable of earning more than others, and it will promote the social welfare to secure to them the fruit of their labour. Intellectual superiority, superior physical stamina, with the resulting prudence and application, will make some pre-eminent, and prevent any from being on a dead level. As the leaves in all their teeming millions of billions differ each from each, so it is with man both in body and mind. It is more than futile to attempt to disguise this truth, indelibly stamped as it is upon all creation. There would be as great injustice and folly in wringing the earnings from the superior workmen, as there now is in wringing the fruit of the proletariat's toil from them, by the unlicensed laws of competition and exchange. Moreover, the labour of administration, as being more important to society, will rightly command a higher remuneration than that expended in mere details of sustentation or distribution.

All we plead is that every man shall secure something like an equivalent value in exchange for what his labour has produced, and that every one shall have an opportunity of applying his labour. My contention is that the masses do not secure the one, and are frequently in danger of not securing the other. In our cities there are tens of thousands engaged in unremitting toil, who earn but a bare subsistence. The riots of the unemployed, which have lately been so frequent in London, show how hopeless the lives of numbers are. Hundreds of thousands are out of work in the winter months, and cannot get work, however anxiously they may seek it. Every clergyman who has ministered among the

working classes will know that this is only too frequently the case.

The old theory that this dreadful state of things is necessarily due to the number of the working population will not bear the test of modern statistics. Malthus' theory is absurd, and the wages-fund theory has gone to limbo. It is just about as true to say there is not sufficient food for every man, woman, and child, as it is to say there is not sufficient land to enable them to have healthy habitations. The insufficient supply of food and clothing, at least to the industrious—and there are many such in grinding poverty—is due to the unjust laws of distribution. The impossibility of the working classes being able to obtain decent sanitary houses arises from a similar cause—a land monopoly, which prevents labour from being applied in producing them. There is plenty of food even now if it were properly distributed, and if the labour of the unemployed could be applied there could soon be still greater abundance, as it was called for. In the same way, if labour could be applied, there would soon be sanitary houses in abundance, where something like domestic comfort would be possible, to meet the needs of the population, in place of the miserable hovels existing. The laws of property require restricting. The effect of the present license of the laws of property is to throw out of employment a great number of workmen. This injustice would bring upon them starvation, but that the luxuriant fare of the workhouse affords the miserable pauper a retreat in his extremity, and thus saves him, in the midst of England's wealth, from dying of sheer exhaustion in the rich man's ditch.

§ 9. We have now to consider upon what the quantitative distributions of society depend. Social distributions, by which I mean distributions throughout the whole community, can only be increased by increasing the quantity of commodities. Plainly, the aggregate distributions of all classes cannot exceed

the aggregate commodities, any more than the slices into which a cake is divided can in the aggregate exceed the whole cake. Take a given time, say the end of a year, and the aggregate commodities will consist of the following property :—

1. The circulating capital in existence.
2. The fixed capital from which rent and interest is derived.
3. Property in the private enjoyment of owners, which is altogether out of the current of commerce. Such, for instance, as food in the household, clothing, household furniture, dwellings owned by the occupiers, private yachts, etc. Property of this kind in actual existence, although not capital for the time being, may be regarded as capital in reserve, and therefore available capital; for the will of the owner may at any time place it on the market, in which case it will become capital to all intents and purposes.

These three items, 1, 2, 3, comprise the aggregate commodities and available capital of a community at the end of any given year. And, whatever the proportions, it is evident that the parts divided cannot exceed the whole. To increase the aggregate distributions of society there must necessarily be an increase in the production of the aggregate commodities. Let the number of individuals to receive distributions be represented by 4, and the aggregate commodities by 12, then it is evident if the distributions of every individual are to exceed 3, the aggregate commodities must exceed 12. Distributions, however, may be secured by individuals and classes comprised in the community by appropriating to themselves part of the shares of other people. In this way distributions may be acquired by a simple transfer from other people's losses without increasing the production of society. Thus the distributions may take the proportions $4\frac{1}{2} + 3 + 2\frac{1}{2} + 2 = 12$, without altering the total of the aggregate divisions.

Suppose 12 represents the total available capital

of an isolated society at the end of the year 1889. At the end of the year 1890 the capital can be increased by the product of the year's labour, after subtracting what has been consumed in the meanwhile. The year's production will be distributed in rent, interest, profit, and wages. The rent, interest, profit, and wages can come from no other source than the year's production, unless they are drawn from the available capital of the preceding year. And the annual produce distributed in rent, interest, profit, and wages will be capital in accordance with the definition given in this work. For the produce will sooner or later be sold to pay the rent, interest, to refund the wages paid, and to secure the profits. English farmers, at all events, use but a very insignificant portion of their produce for their own direct consumption, and it is the same with other producers.

Now, I apprehend that if the existing aggregate capital be given which is applicable for distribution in rent, interest, profits, and wages, and the rent and interest be left out of the question, or, what will be simpler, treated as included in profit, which will practically leave the aggregate capital to be divided between profit and wages, then Mill is substantially correct in following Ricardo, that the rate of profit depends on wages; rising as wages fall, and falling as wages rise. When, however, rent and interest have to be treated separately from profit, Mill's form of statement will not be correct.* I should prefer to say that the aggregate capital for distribution, as the year's production, being given, the various parts distributed cannot exceed the whole, which is self-evident. Then the greater the share appropriated for rent and interest, the less there will be left for distribution for profit and wages. Take what is left after the payment of rent and interest, then the greater the amount assigned to wages, the less there will be remaining for distribution as profit. In short,

* See "Capital and Wages," § 10, p. 277.

the whole capital (*i.e.* the year's production) being divided into four shares (rent, interest, profit, and wages), the increase of one can only be at the expense of some or all of the 'rest.* For all parties to be benefited the magnitude † of the capital for distribution is the matter of primary moment. The greater the magnitude, the more for distribution, whatever proportion the distributions may take. It is, therefore, an increase in the aggregate quantity of commodities that is of importance to the social welfare.

* It will be necessary here to bear in mind that we are considering the possible distributions of a year's capital actually in existence, not the effect of a particular distribution upon future production. Great confusion has been caused in the wages question by mixing up what has actually been produced for distribution, with the effect of the distribution upon future production. Thus screwing down wages may increase profits for the time being, but may have, and no doubt does have, disastrous results upon future profits. All we are considering here is the possible distribution of a year's production of existing capital; the after-effects of unjust distribution will be treated further on.

† I have pointed out in Chapter IV. that the measure of social wealth cannot be ascertained by exchange value, for it is not by enhancing value that the general comfort is promoted. I apprehend, however, that the magnitude of the capital for distribution will be measurable by its value, and will be increased or decreased according to the quantity of commodities. For any increased facility of production which tends to lower value will be taken into account. Value will measure the property comprising the capital. The greater the value the greater the property and the capital. Supposing, for the sake of argument, that the aggregate capital of a community consisted of the property in the total commodities. The value of the total property would then consist, not in its cost of production, but in the estimated cost of reproduction, *i.e.* the estimated effort involved in securing possession of an equivalent supply. Now, it is evident that at any specified time, all other things being equal, that the reproduction of a large quantity of commodities would cost more effort than a smaller quantity. At any given moment, for instance, the property in twelve houses, each of an equal value, would be greater than the property in three; and the value of the twelve, under the circumstances, would be greater than the value of three, and the property would therefore be greater and the capital also. So the magnitude of the capital, *at any specified time*, other things being equal, would be greater in a large quantity of aggregate commodities than in a smaller quantity. Practically, from a social point of view, there are never more commodities produced than are wanted: it is the lack of purchasing power which causes the absence of demand and the so-called "over-production."

CHAPTER IX.

WAGES. II.

§ 1. IN proceeding with the inquiry how the proletariat are to secure a more equivalent value in wages for the value they create by their labour, it is an object of great moment to discover what are the obstacles which prevent so large a proportion of the lower orders from obtaining employment. Wages are driven down by the competition of workmen for work, and the greater the number of the unemployed, the greater does the competition become. It is not only that a large number may be said to be almost permanently out of work, but probably not much above one-third of the working classes work full time.

That it is no uncommon thing for respectable, industrious working men to be out of employment for months, notwithstanding every effort to obtain work, every one acquainted with the lives of the poor knows perfectly well. Nor is a cure to be looked for in the increased industry, or even in the intelligence of the workmen, unless it induces an alteration in existing conditions. Two-thirds of the working men overstock the market. With increased skill and fresh invention, it is conceivable that one-third might overstock the market, the result arising not only from the improved skill and facility of production, but also from the fact that two-thirds of the working classes would be out of work and incapable of buying. This cannot go on for ever without exposing the fallacy of

the current theories. The greater the productive power of labour, the greater the number thrown out of work, and the distress engendered. Surely this is too absurdly contradictory to be explained by the Malthusian doctrine.

§ 2. Production is primarily dependent upon creative labour; but what is left out of sight is, that creative labour—and manufacturing and commercial labour still more necessarily so—depends upon exchange for its continuance. There is congestion of capital in the markets, because social arrangements prevent capital circulating. It is sheer nonsense to say more is produced than is wanted. The congestion arises because there is a lack of buyers, and the lack of buyers arises very largely because a great portion of the population, by the existing laws of property, are prevented from working to acquire capital wherewith to buy. It is not from want of inclination to buy, but from a lack of the means of purchasing. This state of affairs is intensified by the competition which drives down wages, so that the workmen do not receive anything near an equivalent value in wages for the value of the capital created by their labour. Moreover, from a social point of view, there is an immense amount of unproductive labour spent in congesting capital for individual profit. So long as exchange is kept within limits it is a social benefit, as augmenting the aggregate produce available for distribution; but if carried beyond these limits, although individuals may be enriched, it can only be at the expense of other members of society. Labour of this character adds nothing to the aggregate social wealth, but positively detracts from it.

To move off from the markets the congestions of capital, known as "over-production," buyers are wanted with a proportionate value of capital to exchange. An immense impetus would be given to trade if the millions more or less out of work could labour at the production of capital, so as to occupy

their full time. For by precisely the amount of the increased capital their labour produced, if it were properly distributed, would capital be available for buying, and it is from lack of buyers that the so-called "over-production" arises.

A more equal distribution of capital would tend greatly to increase the national capital. The national income arises from the annual product of labour. This income, under the view of capital expounded in this work, may be regarded as capital, as only an insignificant portion would be consumed by the actual producers, without undergoing exchange of some kind.

Now, Mr. Mulhall gives the annual income of the United Kingdom as £1265 millions.* This income was distributed in 1883 in the following proportions:—

| | | | Number of Families. | | | Income. |
|---------|-----|-----|---------------------|-----|-----|----------------------|
| Gentry | ... | ... | 222,000 | ... | ... | £333,000,000 |
| Middle | ... | ... | 604,000 | ... | ... | 241,000,000 |
| Trades | ... | ... | 1,220,000 | ... | ... | 244,000,000 |
| Working | ... | ... | 4,629,000 | ... | ... | 447,000,000 |
| | | | <u>6,675,000</u> | | | <u>1,265,000,000</u> |

About one-fourth of the annual capital produced falls into the hands of about one-thirtieth of the population. And less than one-third of the population appropriate two-thirds of the annual income, leaving one-third of the annual produce for the working men, who are twice as numerous as all other classes put together. The effect of this unequal distribution is that congestions of capital are induced; the few get more than they can usefully use, and many go without what they positively require. The higher classes have all their primary wants satisfied, and a vast surplus of commodities for exchange, whether in the form of money or goods does not really affect the essential elements of the case. The

* "Dictionary of Statistics," p. 246 (income). Mulhall.

higher classes cannot long continue the exchange of existing capital among themselves, as there is more per head than they can consume. To move the congestions of capital off, then, unless foreign markets can be secured, the higher classes are dependent upon the labour of the masses creating capital, thus acquiring exchanging power. For this reason there must of necessity be interdependence of function between all classes of the body politic, if the highest attainable health is to be secured. The aggregate capital is dependent upon the aggregate quantity and efficiency of labour, with an efficient system of exchange. The idle rich, so far from conferring any benefit to society, do but impose blackmail upon production, and differ from the industrious poor, whom they too often despise, in that they will not work even when they have an opportunity. Society does not yet recognize the fatal injury she is inflicting upon herself by the utter neglect of the lower masses. Present arrangements place obstacles in the way of the increase of the aggregate capital. The increase, and the fairer distribution, of the aggregate capital would be as great a benefit to the richer members of society, in the general social welfare it would foster, as it would to the poor. Existing evils will only be lessened as, in the course of time, the harmony of interests becomes recognized.

§ 3. The land monopoly is an important factor in the production of the prevailing distress among the poor. Instead of the land being the special patrimony of the whole people, it has become the patrimony of the rich few. The real use of an individual accumulating land is to acquire power over the labour of others. There is not a member of our aristocracy who would consider keeping up a park of even moderate dimensions worth the trouble, if he had to perform all the work himself. On the other hand, if one man could acquire and maintain unlimited proprietary rights over the whole land of a country, he

might reign despotic lord over the whole population of slaves. If the people could not oust, or place a limit upon the proprietary rights of such a despot, he could dictate his own terms, and the only hope of freedom for the people would be in flight to some territory beyond the boundary of his property.

When we come to realize among how few the land of the United Kingdom is divided, it is marvellous that the evils arising from its monopoly have not been more apparent. English landowners have exercised their powers with such extreme moderation, that the mischief of their monopoly has not been conspicuous upon the surface of social affairs, but has run in an undercurrent, which has prevented the injurious effects it has wrought upon society being traced to its influence.

"Two-thirds of the whole of England and Wales are held by only 10,207 persons.

"Two-thirds of the whole of Scotland are held by only 330 persons.

"Two-thirds of the whole of Ireland are held by 1942 persons."*

Even Mr. Froude, an enthusiastic advocate for the present system of land laws, acknowledges, "The House of Lords does own more than *a third* of the whole area of Great Britain. *Two-thirds* of it really belong to the great peers and commoners, whose estates are continually devouring the small estates adjoining them."†

Now, I submit there are three prominent evils which originate in this monopoly of the land, all tending to prevent the proletariat from securing an equivalent value in wages for the value they create by their labour:—

1. It is the direct cause of so many workmen being unable to find employment, as it shuts up to a very great extent the principal occupation of unskilled labour:—

* "Free Trade in Land," p. 17. Kay. † Ibid., p. 18.

2. By excluding the working classes from the soil it exposes them to the full blast of commercial competition, by which wages tend to the bare necessities of existence in unskilled occupations.

3. It taxes their already inadequate wages mercilessly for house rent, pens them up in habitations where sanitary lives are impossible, domestic comfort out of the question, and the observance of the common laws of decency often impracticable.

I.

The land monopoly is the direct cause of so many workmen being unable to find employment, as it shuts up to a great extent the principal occupation of unskilled labour.

Interested parties in England are never tired of reiterating that "pauper warrens" result from the minute division of the land. Too great caution can scarcely be exercised in drawing one's inferences from gathered facts. Statistics, however, certainly appear to prove that France and Belgium have been exceptionally prosperous with minute division of the land, and Holland has been notoriously affluent. Moreover, we have an instance in the United Kingdom of surprising results of small farming in the Channel Islands. In Jersey and Guernsey the agricultural population is more than four times as dense as in England. Yet the agriculture of these islands maintains, besides cultivators, non-agricultural populations, respectively twice and four times as dense as that of England.

Statistics show that land in the United Kingdom is yearly finding occupation for fewer and fewer hands, with the result either of throwing numbers out of employment, or of forcing them into other occupations, where they increase the competition for work. Now, agriculture is the occupation above all others adapted to give employment to unskilled labour; and by excluding the masses from the soil,

the principal resource of unskilled labour is thus closed.

It requires little skill or length of training, nor does it necessitate any large amount of capital, to make a man self-sufficing, as regards food and habitation, if he can hold a small plot of land. Moreover, there is no other position where, with small resources, there is so much scope for thrift and the gradual accumulation of property. Here it is not simply a question of the advantage of large or small holdings, because, in the case of land, the occupier has the advantage over all other industries, in that he can escape, in a great degree, the competition of the market. He can produce his own food; and to a great extent even his habitation, the chief obstacle to securing one being the acquisition of a site. Almost every one who has held a garden will understand from experience that it will often answer his purpose to grow for his own consumption what would never pay to send to market. The consumer of his home-grown produce saves the ruinous cost of traffic, sometimes 50 or even 100 per cent. upon the cost of creative production, which goes into the pockets of the various distributors.

The skill to use a spade is soon acquired, and the requisite knowledge to manage a few acres of land with profit is not large. The acquirements, as regards working and managing the land, are within the range of any ordinary working man's attainments; the difficulty lies in the utter hopelessness of obtaining the land. The land laws have erected a barrier against the peasant acquiring land. That this is a fast growing general opinion every one who reads the newspapers will be aware.

Facility of obtaining allotments, with a secure tenure, at a fair agricultural rent, would be an immense boon to the working classes. Tenants would then be able to build their cottages on their holdings, which is a matter of great moment to the success of

small holdings. Thus the tenants would find profitable employment, recreation, and a means of investing their savings with advantage. In addition to this they would have a resource when out of employment, and, in the event of a dispute with their employers, would not be compelled to submit to starvation wages.

It will be objected that allotments have been tried, and have proved to be a failure over and over again. Of course they have been a failure, with rents from two to three times higher in proportion to the rents of the neighbouring farms, and with a tenure that could be terminated at three months' notice. The Rev. W. Tuckwell, Rector of Stockton, has let part of his glebe as arable land for allotments on a secure tenure, and claims to have proved two things: "First, that on two acres of arable in an indifferent year, or one acre in a good year, a twelve months' bread, flour, and potatoes for a family, with food for a pig, can be grown at a saving of seven shillings a week. Secondly, that when land is brought into good condition, a labourer can manage two acres in his spare time." Lord Tollemache has also tried pasture allotments upon his Cheshire estate with successful results.

The advantage to working men of holding plots of land, as I have already remarked, is that they can continue to work without being constantly dependent upon the market, for they can grow for their own consumption. This is an advantage they cannot obtain in ordinary occupations, and hence they are thrown out of work. Almost any one can set to work to produce; the difficulty is to obtain a market for one's productions. Here is the obstacle that strangles industry, and the iniquity of the land laws sustains this obstacle. With a plot of land, under a tenure where the fruit of any labour expended would be secure, the working man would not only be able to grow his own produce for consumption at a great saving, but with other advantages he could find pro-

fitable employment when unable to follow his ordinary occupations.

There is little doubt that small holdings under a secure tenure might be made to produce an enormously increased return. The produce of market gardens around London is something fabulous. By means of an enormous expenditure of manure, wonderful results are produced, and as many as three heavy crops are secured during the year. And there is no reason why there should not be an unlimited supply of manure for the allotments surrounding towns, when the present insane waste of sewage is remedied. With the aid of chemistry, what an abundant supply of manure might be available for the land, instead of the sewage polluting our rivers! If, instead of confining education to classics, more time was devoted to practical studies, such as chemistry and the like, which would afford an equally good training for the mind, we might hope that the waste products of our towns might be utilized. But under the present land laws, who has any interest in altering this insane waste? No such thing as efficient local government exists. The very idea of a scientific squire strikes one as ludicrous. The country districts are fast becoming forsaken by any one of enterprise, and it is an uphill task to establish improvements, however great, among a rural population.

The "three acre and a cow" project has been a subject of supreme ridicule in the English drawing-room. Yet there can be little doubt many believe the removal of the impediments preventing the poorer classes acquiring small plots of land would be one of the greatest reforms of the age. It is not, of course, advocated that every working man's family should have three acres and a cow. What we plead for is, that the legal barriers shall be removed which now render it hopeless for any poor man, however industrious and thrifty, to acquire land; and that the

so-called rights of property shall be a secondary claim to the primary right of the population to sufficient space for the possibilities of a healthy existence.

Not only does the inordinate legal cost render the transfer of small plots of land prohibitory, but the surroundings of rural life, induced largely by the land laws in tying up estates, have driven away the local markets, which are at once the consequence and the necessary resort of the peasant proprietor. With the extinction of the ancient class of yeoman, the local markets have decayed, and the small proprietors are now hopelessly handicapped by the cost of carriages to distant markets. This, I believe, is one great cause of the extinction of the yeoman and peasant proprietor, which has been little noticed, but has really been a potent influence in their disappearance. There are country residents who, without any idea of profit, would gladly give their relatives residing in towns surplus produce from the garden, dairy, and poultry-yard, if they were not prohibited by the heavy cost of carriage. Quickly perishing goods will not bear the delay of the luggage train; and the charges are so high for articles of this kind by other means, that they almost equal what the articles actually realize in the town markets. It barely answers the purpose of town residents to pay the carriage of such goods, received as a gift, if they have to be transported a few miles. It is not wonderful, therefore, that they do not pay to send to market.

By the expulsion of the small proprietors from the land, the great resource of unskilled labour is closed, and a large population, who might otherwise find occupation on the soil, are thrown out of employment and driven into the towns. Exclude a man, who depends upon his labour for subsistence, from the soil, and you compel him as a matter of course, in some way or other, to produce for the market. The land monopoly has the effect of playing into the

employers' hands, and by increasing the competition for work in particular branches drives down wages. This brings us to our second heading.

2.

By excluding the working classes from the soil, the land monopoly exposes them to the full blast of commercial competition, by which wages tend to the bare necessities of existence in unskilled occupations.

Driven from the land, the great resource of unskilled labour, and excluded from the one occupation where the competition of the market may in a great measure be avoided, the produce of the land being available for the producer's own consumption, numbers of workmen are compelled to seek the labour market for employment. Thus competition for work is artificially increased. This disastrously affects the interests of the proletariat. The labour of an individual is every day becoming more incapable of competing in the open market, against the labour of individuals acting in combination and assisted by modern machinery. That this is realized, the rapid decline of the handicrafts proves. Even bootmaking, which until quite recently afforded employment to a great number of individuals in their own homes, is now rapidly being absorbed into the factories. The handicrafts are beaten in competition with skilfully directed machinery, and hence the handicraftsmen are forced to swell the throng applying to the employers for work. The competition for employment drives down wages, and produces two evils, both contributing to the so-called "over-production:" firstly, great numbers, being thrown out of work by the land monopoly, are prevented from producing the capital which would result from their toil; secondly, the fair adjustment of wages being affected by the competition for work, the purchasing power of those successful in obtaining employment is enormously

decreased, when considered in the aggregate. Thus existing capital is driven into artificial channels, and congestions inevitably result, displaying themselves in the familiar form of "over-production."

What is required to move off the so-called "over-production" of capital is more capital than exists at the time being; or a different distribution of the existing capital. There is scarcely anything produced by our industries that is not wanted, if people had the means of buying. Advertise that goods are to be given away, and how long will the warehouses "be gorged"? And supposing the demand that would arise under such conditions continued, how long would the labour market "be gorged" because the goods produced were not wanted? To suppose there are more goods produced, under present circumstances, than are wanted, is too grossly absurd to have a shadow of probability. It is, therefore, merely social suicide for one section of society to enforce idleness upon another section. The prosperity of the one is dependent upon the prosperity of the other. The selfish fears of the property class are groundless. They will ultimately benefit, with all other classes, by the improved condition of the proletariat. Capital is an instrument of exchange. Once more I reiterate it is mere illusion to suppose that demand and supply are independent economic forces. "Demand and supply, considered as general facts, are not independent phenomena, but essentially the same phenomena regarded from different points of view; consequently, general demand cannot increase or diminish, except in constant relation to general supply."*

Excluding the working classes from the soil, leaves them helpless in the competition of the labour market. It shuts them out from a refuge which they might otherwise provide for themselves, in the event of dispute with the employers, in the adjustment of their wages. Under existing conditions the work-

* Cf. § 3, p. 59.

men are at a great disadvantage. Congestions of capital frequently occur in the industrial system. It is not that the commodities produced are not wanted, but there is a deficiency of buyers, a difference which cannot too carefully be kept in mind. When there are no buyers, the employers and workmen must cease production until the plethora of commodities is reduced, as capital is produced solely for exchange. This throws the workmen out of employment, increases the competition for work at other centres of industry, and tends to drive down wages. It is too often a case of submission or starvation, and thus the force of circumstances generally compel the working classes to accept wages considerably below the value actually created by their labour. The more the employers can pare from the wages, other things being equal, the greater does the prospect of their profits become, and the greater also the rents possible for the landowners.

A working man's position, possessed of a plot of land, would be very different to one having an equivalent value in money in the savings' bank. The former would be in a much better position to reject an offer of wages that was not approximately fair. If no immediate return could be obtained from the plot of ground, at all events, any work expended upon it would have a future value. In this way, in the event of dispute with his employer, he would have some occupation to turn his hand to, without positively exhausting his little capital, as he would rapidly do if he remained idle and lived in the meanwhile upon his savings in the bank. Moreover, the produce of the work expended on the land need not necessarily be exchanged before it could be of utility to the producer, as in almost all other occupations. He need not, with a plot of land, be immediately checkmated by over-production through not being able to find a market. He could consume his own productions, and might be self-sufficing to some ex-

tent in an emergency, as regards food and a roof to shelter him. Even if his needs were pressing, under a better order of affairs in the future, he might be supplied with cash on credit by co-operative banks * established by working men, one of which is even now in existence. With the land title simplified, security might be given; or, with a trustworthy man, as much might be advanced on credit as the future crops would redeem. The general dislike of the tenant farmers to allotment ground shows that it gives the labourers a substantial advantage.

3.

The land monopoly taxes the wages of the working classes mercilessly for house rent, and pens them up in habitations where sanitary lives are impossible, domestic comfort out of the question, and the observance of the common laws of decency often impracticable.

The condition of the working classes has no doubt greatly improved during the last half century. Mr. Giffen's statement of the improvement is an exaggeration, but he seems to establish one great drawback. House rent has increased one and a half times during the last fifty years, and rent now absorbs some 25 per cent. of the total earnings of the working classes.

But how comes it to pass that, with all modern appliances, houses cannot be produced very considerably cheaper than they were fifty years ago? The planing machine, the steam saw, the brickmaking machine, the improved tools of all kinds, have not had any appreciable effect in reducing the cost of houses, when the site upon which they stand is included. Granted that wages are double what they formerly were, and that the hours of work are shorter.

* "There seems to be only one co-operative bank in England. It is at Manchester, and the transactions amount to sixteen millions annually. In Germany, and especially Italy, there are numbers of co-operative banks."—*Fortnightly Review*, August, 1877, pp. 165, 166.

But this is not only the case in the building trade, it is so in the majority of trades; and yet modern invention has not only enabled the producer to bring forward a superior article, but has enabled him actually to put it upon the market at a very much lower price than the inferior one formerly.

How is it, then, that house rent continues to rise, notwithstanding the materials of which houses are built have considerably fallen, and the efficiency of labour, induced by superior tools and inventions generally, is far more effectual than it was fifty years ago?

There can be little doubt that the land monopoly directly and indirectly accounts for a great part of the rise in the price of houses. This in two ways: (1) With the increase of population the sites for houses become enormously enhanced; (2) The land monopoly prevents freedom of competition between the owners and occupiers of houses, which tends artificially to keep up the value of existing habitations.

With the increase of population the sites for houses become enormously enhanced.

According to Mr. Mulhall the annual rental of the agricultural land of the United Kingdom has nearly doubled between the years 1834 and 1878; but the increased value of land eligible for building sites has been something enormous, and in large cities appears almost fabulous. Mr. Macleod tells us, "Land in the heart of London has often been sold at a rate exceeding £1,000,000 an acre, perfectly exclusive of any building upon it."

The appropriation of the unearned increment by the owners of property is little other than legalized robbery. It is such a monstrous injustice that its doom is well nigh certain in a few generations, and perhaps even in the next, should the proletariat progress rapidly in intelligence in the meanwhile. That a few individuals should fatten upon the needs arising from the increase of population, by artificially inter-

cepting what should go to supply their necessities, is not likely to be much longer tolerated. The approach of a railway, the construction of a road, the erection of an additional house, the opening of a market, the laying down of a sewer, the floating of a gas company, and even the birth of an additional child, each and all increase the value of the surrounding land. Why is the land not taxed for the benefit of the community in proportion to the increased value it derives from the community? The landowner neither toils nor spins; he grows rich, and very frequently idle, at the expense of the community. In fact, the inhabitants of towns are rack-rented, as it were, upon their own improvements. It is simply preposterous that ground-rents are exempted from contributing to the local rates. It is the community that has created the increased value of the land, and to the benefit of the community the increased value should go. It is monstrous that a few individuals should have the power to pen up the inhabitants of a city in unsanitary hells, by holding the surrounding land until their extortionary demands are satisfied.

For the benefit of a few landowners—and how few they are has been pointed out—the masses are crowded into dens in narrow alleys, where space for the physical necessities of existence is wanting, and anything like domestic comfort impossible. A fœtid atmosphere renders the children pallid and miserable, while it is a temptation to the adults to seek for stimulants, to reanimate for a brief moment their feeble vitality, even if crime does not result from despair. For shelter such as this, the working classes submit to be deprived of some 25 per cent. of their hard-earned wages, and are befooled into the belief, with the evidence of the beautiful world around them, that God has ordained their lot. Surely it is time the masses made use of their brains to deliberate whether they should longer stupidly acquiesce in upholding “rights of property” such as these. It

will be far more to the advantage of working men to direct their energies in this direction than to slave like horses at muscular work. The former method will enable them to improve their condition ; the latter will never secure them more than the mere necessities of existence.

We have now endeavoured to show that the land monopoly directly and indirectly accounts for a great part of the rise in the price of houses in one or two ways mentioned, viz. first, with increase of population the sites for houses become enormously enhanced. We pass on to the second.

The land monopoly prevents the freedom of competition between the owners and occupiers of houses, which tends artificially to keep up the value of existing habitations.

It is quite a mistake to imagine that it is only the well-to-do who desire to reside outside the towns, going backward and forward to business. The poor would no doubt soon forsake the miserable rookeries in the alleys of our towns, if the land laws did not permit the landowners to draw a cordon round them, rendering escape hopeless. A considerable part of the working men of Middlewich consists of salt-boilers and labourers, who go to Winsford to their work in the morning and return at night. They actually walk a distance of three miles each way, rather than reside in the smoke and in the close rows of cottages which abound in Winsford. If this is the case where local circumstances render it practicable, with a population certainly not above the average in intelligence, no doubt it would generally be the case if the lower orders were not usually, by the necessity of the surroundings, compelled to reside in the towns. Except in rare instances the land monopoly is used to prevent the building of cottages in the suburbs. Land is not to be obtained for the purpose. If it is, it is at a price quite prohibitory to an ordinary working man. However saving a working man may

be, he cannot afford to build a house, although it is just the investment of all others that he would desire to make. Building societies are in practice too costly to render much help. The mere cost of the transfer of a piece of land, in nine cases out of ten, makes it difficult to build a cottage which will return a rent anything like adequate to the outlay. Cottages at best are not a desirable property, and no man with any practical knowledge will think of building isolated cottages as an investment. They must be built in numbers and sold in numbers, or the costs of transfer will cause ruinous loss. In my own experience the cost of transferring the fee simple of a ground rent amounting to £300 was £25; ten times the amount might have been transferred at a trifling additional cost. It is well known that cottages built separately and sold separately are unprofitable. If land on the outskirts of towns were to be had, houses would soon spring up, and compete with the existing ones in the towns; and with a curtailment of the land monopoly a general decline in the cost of buildings might be expected, for precisely similar reasons to those which have reduced the cost of nearly all other commodities during the last half century. It is the land monopoly that has had the effect of increasing the value of houses 150 per cent.

Which is the most sacred proprietary right—the right of the landowner to appropriate what a community has produced, to spend as his whim may dictate; or the right of space for the physical necessities of existence and moral welfare?

Private owners have been forced to yield to the demands of the public where need has arisen for railways, sewers, roads, and the like. In many cases, however, especially in the case of railways, they have been so exorbitantly compensated as to have created a perpetual charge upon the public. The day is coming when greater demands will be made upon so-called private rights. They will be subordinated to the

general good, and not be permitted to interfere with the well-being of the public, much less to prey upon the vitals of the commonwealth.

The bitter cry of the outcast in our great cities and towns is becoming ominous, and seems to foreshadow a change in the future ideas regarding proprietary rights. The rights of individuals to hold land in the neighbourhood of towns will possibly only be admitted after all requirements of the populations for sanitary houses and premises have first been secured. Local self-government has not yet arrived even at its birth. The time has yet to come when local government shall have compulsory powers of purchase over all land in its jurisdiction, for the purpose of supplying the needs of the population for dwellings, possibly after some such method as that now vested in the local authorities for the provision of roads and sewers.

§ 4. In conclusion, the land monopoly is one of the great obstacles which tends to prevent the working classes from securing an equivalent value in wages for the value they create by their labour.

1. It is the direct cause of so many workmen being unable to find employment, as it shuts up, to a very great extent, the principal occupation for unskilled labour.

2. By excluding the working classes from the soil, it exposes them to the full blast of commercial competition, by which wages tend to the bare necessities of existence in unskilled occupations.

3. It taxes their already inadequate wages mercilessly for house rent, and pens them up in habitations where sanitary lives are impossible, domestic comfort out of the question, and the observance of the commonest laws of decency often impracticable.

Thus the effect of the present system of land laws is to disturb the just distribution of creative production. It will be the object of the next chapter to

show that the existing laws of inheritance and bequest are other disturbing elements in the same direction, which disastrously affect the working classes, and, therefore, the truest interests of the whole community.

CHAPTER X.

WAGES. III.

§ 1. THE question now comes to the front, how are just wages to be measured? No exact measure can be given. All that we can say is that in equity the wages should be such as to procure for the service rendered an equivalent in time, strength, and skill. "The first step to equity is that each, who works according to his capacity shall be rewarded according to his earnings." This is not the governing principle which at present regulates wages. It is not a question of what a man ought to have for his work which determines his wages; but what his necessities will compel him to take for it.

Supposing, for instance, a needlewoman requires a copy of the registration of her marriage. A certified copy will cost her 3s. 7d., viz. for searching the register, supposing the exact year be given, 1s.; certified copy, 2s. 6d.; stamp, 1d. The labour of searching the register will not be harder, nor require more skill, than the labour of sewing; nor will the labour and skill expended by the registrar in copying the entry from the register be greater than that performed by the needlewoman in an equal amount of time. Assuming the whole time expended by the registrar to be half an hour, he will receive for his service 3s. 6d. As a needlewoman's wages are not on the average above 10½d. a day, and the hours of work at a very moderate computation are at least 10½, she gives 42 hours of her labour to the registrar in

exchange for half an hour of his. The registrar's occupation is a monopoly, and the sole restraint upon his charges would be the need of those requiring his services, if an Act of Parliament did not regulate his fees. The needlewoman's wages, on the other hand, are reduced to starvation point by the competition of her destitute sisters for work, which permanently keeps down the wages of needlewomen to just above starvation level. Thus the unfortunate needlewomen, in the majority of instances where they have to make an exchange of labour, have to give several hours' toil in exchange for every one they receive. It is only in the purchase of a few articles, such as matches, etc., where the workers are oppressed as much as themselves, that the needlewomen secure anything like a fair exchange of toil for toil, or capital for capital.

Justice demands the amount returned to the labourer in wages should be sufficient to secure him an equivalent service in return. It is a question of what a man ought to have for his work, not what his necessities will compel him to take for it. The difficulties in the way of determining, in each case, the exact just wage does not affect the just principle of exchange. The worth of the work performed may be difficult to ascertain, but it has a worth. It is as easy, at all events, to determine scientifically what a man ought to have for his work, as to find out what his necessities will compel him to take for it.

§ 2. But how is it, if needlewomen produce so cheaply, there continues such a superabundance of this description of workers? It is absurd to suppose the whole population are satisfied with their existing clothes, so that they desire no more. If there is a block in the sale of clothes, the "over-production" arises from the lack of buyers. Instead of "over-production" being the result of the cheapness of needlewomen's work, one would have expected the work would have gone off so fast in the market, that

a demand for more needlewomen would arise, so reducing the competition for work and raising wages.

Unhappily, however, when the needlewoman's work gets upon the market its price is so raised as to block its sale. Had it come upon the market at anything like the cost of its creative production, it would have been within the reach of a vastly extended circle of buyers; but by the time it arrives at the place of sale, the middleman's profits have so raised the price as to block a ready sale. The price reduces the number capable of buying, and "over-production" is the result. I will give an illustration from Mr. Illingworth's "Distribution Reform":—

"A common cotton shirt is sold by the retailer at 2s. 3d. to 2s. 6d. per shirt. This shirt is made of 3½ yards of cotton, costing 4¼d. per yard; the making up is done by contract. The contractor cuts out the garments to the proper shapes and sizes, and puts them out to seamstresses or machinists to sew. The contractor finds the buttons, but the labourer finds needles and sewing thread, and provides herself with a sewing machine. The contractor, or organizer of this labour, receives 3s. per dozen, or 3d. per shirt for the whole work. Out of this he pays the seamstress 1s. 9d. per dozen, or 1¾d. per shirt, for the making. A seamstress at this work, by working eighty hours, cannot make more than 10s. per week. The shirt thus costing 1s. 6d. is retailed at 2s. 3d. to 2s. 6d. The poor sewing machine girl, whose labour goes to make it an article of value and exchange, is just kept from starvation—simply existing; her labour brings to the distributor 50 per cent. gain.

"For every penny paid in wages to every operative contributing their labour to make the cloth, the buttons, the sewing thread, and the shirt, the consumer is charged 3d.

"This is by no means an overdrawn case. Thousands of women and girls in London are working at starvation wages, making garments of one kind or

another, not one of which gets into the hands of the public under 50 per cent. on cost of production."*

From an interesting article on "The Growth of Co-operation in England,"† by Mr. G. J. Holyoake, I extract the following:—

"It is known that any 4000 poor families pay £10,000 a year for having their humble provisions supplied to them. The proof of this is to hand. The following twelve societies show that stores of less than 4000 members can make more than £10,000 profit—

| Town. | No. of Members. | Profit. | Town. | No. of Members. | Profit. |
|----------------|-----------------|---------|------------------|-----------------|---------|
| Annfield ... | 2000 | £13,000 | Middlesboro' ... | 3472 | £10,578 |
| Crewe ... | 3000 | 18,000 | Paisley ... | 2136 | 10,640 |
| Dalton ... | 2916 | 11,213 | Pennicuik ... | 1378 | 12,871 |
| Dunfermline | 3101 | 14,163 | Ramsbottom ... | 2520 | 10,312 |
| Failsworth ... | 3960 | 14,421 | Slamannan ... | 1347 | 10,001 |
| Hawick ... | 2034 | 12,605 | Somerby Bridge | 2571 | 14,221 |

§ 3. The cure for these evils seems to be in reducing the competition for work among workmen, by enabling every man to produce capital by his labour, and then by securing him a fair exchange for his capital.

To accomplish this, no doubt, the first essential is the action of the working classes themselves. Until they become discontented with their present lot, and unite to redress their grievances, no Government, whether Conservative or Liberal, no associations of mere philanthropists or philosophers, will ever render them, or can ever render them, substantial aid in bettering their condition. Unity among themselves is the first essential, and then the co-operation which alone can make the unity practicable. As an after

* "Distribution Reform," p. 71.

† *Fortnightly Review*, August, 1887, p. 163.

result will come the removal of anything tending to obstruct either the one or the other. With the intellectual and moral development of the masses a definite policy may be expected, which will determine upon two courses of action: (1) The abolition of the land monopoly, as an obstruction to the freedom of labour, which in the past has produced such evil results, in inducing the competition for work among workmen; (2) A general reform in the laws of inheritance and bequest, the present order of things tending to obstruct the distribution of purchasing power.

§ 4. We have seen that the land monopoly shuts up the great resource of unskilled labour, and greatly reduces the number of the agricultural population. We have now to show that it also causes congestions of capital, by artificially driving it into the possession of a few owners. This is one cause of what is familiarly known as "over-production," through which great numbers of workmen are thrown out of employment altogether; and the working classes, generally, are prevented from receiving a fair exchange in the form of wages for the capital produced by their labour.

Where do the rents come from which the land-owners enjoy? From the annual produce of the land, which arises entirely from labour. Now, as we have seen, the instruments of sale—coin money and credit—are merely tools of exchange; we may imagine the rents paid in kind, without disturbing any essential principle of production. In such a case, what can the wealthy landlord do with the mass of produce brought to him as rent? Neither he nor his household can consume more than an insignificant fraction of the whole, and the remainder is only useful to him as a means of exchange, *i.e.* capital.

Now, this capital accruing from rent may be used in two ways. It may be used to exchange for commodities for personal gratification; or it may be used to invest for the sake of obtaining interest, in which

latter case, the investing of the year's surplus rent is really exchanging a perishable article for a charge on future production.

If it is exchanged in buying commodities for the personal gratification of the landowner, supposing the revenue from the rent be large, it can scarcely be in pleasure of an elevated kind, and it will probably be largely spent in idleness and display. We often hear of the idleness of the poor man, but how very much more applicable is the charge to many of the rich! Upon what principle of justice is an individual to hold a charge upon the annual produce of society, unless he returns an equivalent benefit to society? To hear many of the gentry talk, one would really suppose an ample return was made by their spending their time in worrying a few foxes to death. True, the landowner may provide a livelihood for a great number of dependents, taking their services in exchange; and he may also remove congestions of capital in the form of various commodities he buys. This, however, is no more than the capital accruing from the rent under any circumstances would perform, except that it would probably circulate capital produced by labour of a more useful kind than the mere service of flunkeys and the production of excessive luxuries. Thus, had the wages of the workmen by whose toil the produce was raised been higher and the rent lower, capital would have been equally applicable for exchange. The difference would be that instead of the landlord possessing the additional rent, the workmen would have the additional wages; and instead of the capital being in the hands of an individual to exchange, it would be distributed among many to exchange. Thus, if the landowner's capital is applicable to removing congestions of capital in the form of commodities generally, including flunkeys' services; the workmen's capital is applicable also to removing congestions of capital consisting of clothing or anything else. How, in such a case, is society

benefited by the landlord appropriating the rents of a *vast* estate ?

Supposing the surplus rent, instead of being exchanged for commodities for the personal gratification of the landowner, is invested in the purchase of more land. Such an investment only tends to increase the existing land monopoly ; and the accompanying evil of excluding the working classes from the soil, which in effect leaves them a prey to the employers, is aggravated. Assuming the rent is not invested in land, but in something else for the purpose of obtaining an income, it then only performs the function of all capital, namely, exchange. It moves, in fact, congestions of existing capital produced by labour, which if allowed to remain stationary would cause "over-production," by a readjustment of the proprietary rights of the capital in question reciprocally exchanged, and the accruing interest is a charge upon future production.

But capital would perform any or either of these functions, whether it fell to the property of the landowner as rent or not, and whether it fell to an individual as rent or to a number of landlords. It would perform similar functions if it fell to the farmer as profits, or to the workmen's share as extra wages, or to the landlord as rent. The beneficent influence of landowners upon society, if they are simply of the idle rich class, is mere illusion. The creative production of capital begets demand in whatever hands it falls. The proprietary rights to more of a particular commodity than an individual and his belongings can consume is of no direct personal use either to the agriculturist, the manufacturer, the merchant, or the workmen. Its sole use is to exchange for some other commodity with producers who likewise have more than they can consume of their special commodity. The landowner can only determine what direction the proprietary right to the produce, in the form of rent, shall take. If it is used as capital at all, it will

remove congestions of capital from somewhere ; and this the produce devoted to rent will do in whatever hands it falls, whether landowner, farmer, workman, pauper, or thief.

The argument, therefore, that the rich do not spend all their wealth upon their personal gratification, but devote the great bulk of it to productive purposes through the agency of their bankers, etc., and so benefit society, is based upon a misconception. If they did not so devote it to commercial production, some one else would, unless we suppose it would be allowed to rot, which it would speedily do if not used. In whatever hands the property fell, as a matter of necessity, it would in the ordinary course flow into the market, for anything beyond a very limited quantity would be superfluous to its possessor, except as a means of exchange.

§ 5. The landowners, and property class generally, talk as if they created industry by some mysterious power vested in their capital. In reality they do not even maintain industry, unless they contribute to industry in some way, whether by physical, mental, or moral force. If the landowners by their own exertions earned the proprietary rights they enjoy, the case would be different. To accomplish this, they would have to create value by their labour of some kind, so as to possess a proprietary right to exchange. Inheritance and bequest, however, too often place in their hands a right they have never earned, carrying with it a power of levying blackmail upon the annual produce.

Let it be taken for granted a man's forefathers accumulated, by their industry, the proprietary right of the vast track of territory he inherits. This is a very favourable case, for we know the bulk of the land came into the possession of its former owners by no such means. In former generations all industry was regarded with contempt. War was considered the only occupation worthy of the great. They came

into possession of the land by plunder, or very frequently had it bestowed upon them by worthless sovereigns. Nevertheless, assume a tract of land came in possession of its former owner as the fruits of his industry. We will imagine he gave a proprietary right to so much capital, created by his industry, for the proprietary right to the land.

What did he purchase? The proprietary right to the existing produce of the land, long since gone to limbo, and the right to receive its annual profits or produce for ever. Who gave the parties authority to deal with the interests of the unborn for ever? The property was the reward of his exertions, you say. Well, he had his reward during his life, and enjoyed it for his life, and, possibly, he benefited his generation during the lives of those then living. But the results of his efforts perished soon after he perished, for time plays speedy havoc with all the works of man. The present generation did not benefit by his work; and it is by the labour of the present the land can be utilized. Why is the labour of to-day to be taxed by the hand dead for generations for the benefit of heirs? Rent is the produce of labour, and only a small part of rent can usually be brought under interest for money expended on building and unexhausted improvements.*

It has been said that wealth will not keep; very little of it can be handed down for fifty years. This depends upon what we mean by wealth, and whether we refer to a community or to an individual. A little more precision in the use of terms will be necessary, if exactness is to be anything like attained. For although it is quite true that few commodities

* "The landowner in this country has two capitals in the land—the soil and all that is beneath it, and the buildings and other permanent works made by his capital upon it, and required for the accommodation of the people and the stock and crop of the farmer. On the good agricultural land, worth £50 an acre, the land will represent £35 of that value, and the buildings and other permanent works £15."—*"The British Land Question,"* p. 35. Caird.

consisting of material and immaterial property are capable of being so handed down, yet it is plain incorporeal commodities, consisting of incorporeal property—that is, rights to things only to be acquired at some future time—may be handed down for an indefinite period. Thus the supply of the great bulk of material commodities is as much dependent upon annual production as is the supply of jam. The essential material commodities, such as food and clothing, are practically reproduced every few years, and the greater part annually. Even tenements, railways; ships, and the like, although more enduring, require constant care and repair. When the material has gone, through decay or otherwise, the proprietary right is practically non-existent, for the material commodity has passed away.

So with immaterial commodities—that is, personal services of all sorts, or labour. Time speedily destroys its utility. Even knowledge becomes out of date and fashion in a few years, so that from inanition the proprietary right becomes separated from it. No one cares to claim property in knowledge which is no longer useful. For example, the knowledge and capacity to make a good crossbow was an immaterial commodity in the Middle Ages; in the present day it would not be a commodity at all, for it would be useless.

But incorporeal commodities, consisting of rights to things only to be acquired at some future time, may be handed down from indefinite periods. It is the incorporeal element in the case of land which forms its chief present value, and so long as society will tolerate it, bequests for centuries back may become a very serious tax upon existing production, without necessarily returning any equivalent.

It has been the teaching of the past that land-owners and the property class generally confer a boon upon the toilers of society, by investing them with a kind of productive vitality in the form of capital,

without which they would be incapable of exercising their labour. It has not been recognized that their real influence has too often been that of obstructionists. It is not from any productive vitality in the saving of the past, but by preying upon present production, that their gains arise. So far from the community in the aggregate gaining by the existing land monopoly, or the right of inheritance and the unlimited power of bequest in vogue, they enable a privileged few to prey upon the necessities of the many. It is by manipulating proprietary rights to their advantage that the real power of these capitalists arises. They hinder production by blocking the exchange of capital, and so necessitate starvation wages in unskilled occupations, and prevent great numbers from working at all. It is a limit to these rights that is the crying need of the hour. That a man should have a right to the proceeds of his labour is essential to the social weal; but no one pretends that the great bulk of property now vested in individuals is the result of their labour. The power of preying upon the labour of the present and future, and squeezing their spoil from it, has been handed down to them by inheritance and bequest; and if they do nothing, their power in its effects is not production, but obstruction.

§ 6. If capital has the peculiar "consumption and reproduction" vitality which "supports and employs productive labour,"* taught by economists, how is it that when there has been a gigantic destruction of capital such a rapid recovery is possible? The last striking instance was that of France after the Franco-German war.

In 1870-71 France was utterly prostrate, and the population of Paris upon the point of starvation. Yet the increase of her wealth was magical, and dated from the following year, 1872. The actual facts, now a matter of history, flatly contradict the predictions of the old English school of economists. M'Culloch

* "Principles of Political Economy," vol. i. pp. 94, 99. J. S. Mill.

taught; "Should the national capital be diminished, the condition of the great body of the people would be greatly deteriorated; the wages of labour would be reduced, and pauperism, with its attendant train of vice, misery, and crime, would spread its ravages throughout the largest portion of society."*

May not the explanation of France's rapid recovery be, that the needs of all classes of the population were made urgent by the devastation of the war? This called a vastly greater amount of labour into action than had normally been at work, and for the time being the power of the property class to block exchange was in abeyance. This theory is supported by the fact that, during the recovery of a nation under such circumstances, work is very plentiful, and the demand for labour is scarcely met by the supply, while the so-called "over-production" phenomenon is absent. The population can, in fact, absorb the whole of its productions, because for the time being, the interruptions to exchange, which have a congesting influence upon capital in peaceful times, are for the time removed. Any one can work because he can speedily effect an exchange of the capital he produces by his labour, and he is therefore in a position to buy. Thus there is no "over-production" of commodities resulting from his labour, nor with the party with whom he effects the exchange, whether an employer in wages or otherwise. It takes time before the congestions of capital known as "over-production" again display themselves; prosperity among the few must first again be restored. This "over-production" is induced by the property class, commonly known as capitalists, manipulating proprietary rights, which has the effect of congesting capital and blocking exchange. This throws vast numbers of workmen out of employment, and drives down wages, both of which result in diminishing buyers.

Assume an enemy lays waste a country by fire and

* "Principles of Political Economy," p. 60.

sword, destroying a great part of the buildings, railways, machinery, etc., together with an immense store of provisions. Exhaustion at last compels the vanquished to accept the terms of peace dictated.

Suppose the great evil of the hour was a scarcity of food. This scarcity could not and would not be of long duration. Only a fraction of the energy of a highly civilized population is ever expended in the mere provision of food. The result of scarcity would be that the energy of the population, previously divided among innumerable industries and pursuits, would be devoted in a larger proportion than before to the production of food, until the scarcity ceased. In 1871 only 14.6 per cent. of the *industrial* population of the United Kingdom were engaged in agriculture,* and, allowing for importation of food, 20 per cent. would probably be ample to supply the nation with food. If a much larger proportion of the population were temporarily, under the pressure of scarcity, to occupy themselves in producing food, a superfluity would speedily arise. A few months at most would efface all traces of the scarcity produced by the war. The world itself has only a few months' supply of food in advance, and, if creative production were to cease, mankind would at any time be face to face with starvation in a few weeks. A supply of food is always at hand, because creative production is ever active. A devastated country, then, would quickly recover from a scarcity of food by the labour of her people. They would constantly be creating capital. The inconvenience arising from the destruction of so much of their material capital by the enemy would be transient. Incorporeal capital would for a time perform the functions of capital, as even now some 95 per cent. of commerce is carried on by credit—*i.e.* incorporeal capital. The action of credit disproves the old theories of capital. Promises to pay will neither feed nor cloth; but they will and do answer

* "Dictionary of Statistics," p. 331. Mulhall.

the purpose of effecting the exchange of commodities, and this is the true function of capital.

It would be practically impossible for a country to be so devastated that all the food should be destroyed ; nor would the utter destruction of all material capital be possible. Many of the more durable buildings would be sure to be unimpaired, or only partially injured, and the materials of railways, and of machinery generally, however much they might be damaged, would exist in large quantities.

The industry of the population would soon restore the damaged buildings,* railways, and machinery. In fact, their labour would immediately be devoted to creating capital, and this labour would not be dependent, as Mill tells us, "upon the capital expended in setting it to work." Exchange, not sustenance, is the function of capital. Labourers create capital, which they exchange for other capital—their wages. The wages are not dependent upon the capital setting it to work. The commodities purchased with the wages may be produced exactly contemporaneously with the productions for which the wages were paid. As far as money wages go, credit will answer the purpose of exchange equally well, and we have a practical illustration where it actually did do so, in the construction of the Guernsey market. The workmen do not eat their wages ; they use them as capital to exchange for food and clothing, and food and clothing purchased for consumption are no longer articles of traffic, and have, therefore, ceased to be capital. When labour has produced the commodities, barter is at once possible. Nay ! a species of barter is possible upon the anticipated production of commodities,† and credit will perform the functions of capital so long as it is rightly employed, and the credit is ultimately liquidated by the production of the commodity for which the credit was pledged.

* When Chicago was burnt down, it was rebuilt as if by magic.

† For the *right* to the future commodity to be produced is exchangeable.

However disastrous a war might be then, unless the population was reduced to absolute slavery, the total destruction of its capital would be an impossibility. A community must be absolutely divested of all proprietary rights to make such a state of things possible—a state of things not to be feared in the present development of civilization.

Supposing, therefore, there is an immense destruction * of material property in a war, there is still the immaterial and incorporeal property, which is very far the greater proportion of the total property, applicable for capital.

If England were converted into a wilderness by a foreign foe, her railways, telegraphs, buildings, machinery laid in ruins, and a great part of the existing produce of the land destroyed, her capital would still be immense. Her industry is the envy of the world; her capacity for producing wealth is famous; her integrity inspires unhesitating confidence; and her energy, remarkable at all times, would be sure to rise in the hour of her need! No capital, indeed! What, then, would have become of all her incorporeal property? Do not the miserable despotisms of the East raise loans? Is England to fall so low; is senile decay to render her so utterly impotent, that the labour of her vast population is to be reckoned in the markets of the world as incapable of producing anything beyond the absolute necessities of existence? The nation in its corporate capacity could of course buy money in the markets of Europe, giving in exchange a right to demand future payment. Would no loan float in European markets upon the security of land, or the imperial taxes? Would tithes be unsaleable if put up to auction in foreign countries; the shares of our companies; the good-will of our banks; our Guinneses and Bass breweries, which

* We may speak of destruction of material property, for although property is a right only, the destruction of the material elements to which it is attached practically annihilates the right.

even if destroyed could be rebuilt in a few months; our cotton, coal, and iron industries? Would the credit of our merchants have utterly gone? Of course not. England would command unlimited credit upon the mere prospect of her future productions. The instruments of sale—coin money and credit—would effect what in its ultimate result would be a barter of commodities. Food, cattle, and foreign produce would flow into our ports, precisely with the same object that they now do in a very large degree—the mere prospect of securing a profitable exchange, when the English harvest arrived, and English industries were once more established with all their former repute. Stung to the quick by defeat, the higher classes would throw aside their lethargy and forget their pleasure, as they can do, and have nobly done ere now, when put upon their mettle. The millions, urged on by the necessities of the situation, would soon restore the mischief of a foreign foe. Provided the energy of England was not shackled with a ruinous fine as a war indemnity, all traces of the war in two or three years would be obliterated, as it was in France in less than ten. England would quickly extinguish the loan, which her necessities, in the hour of her agony, compelled her to negotiate. Work would be very abundant, and for reasons already given, under the special circumstances very little, if any, hindrance to labour would arise from “over-production,” causing workmen to be thrown out of work.

Edward Atkinson, an American statistician, reckons that “capital or labour saved in a concrete form never exceeds in value the sum of two or three years’ production, even in the richest state or nation.”* Mulhall’s statistics give the following as the accumulated wealth of the United Kingdom †:—

* “The Distribution of Products,” p. 10.

† “Dictionary of Statistics:” Wealth, p. 469; Income, p. 245.

| | | | | | | | |
|--------------|-----|-----|-----|-----|-----|--------------|----------|
| Land | ... | ... | ... | ... | ... | £1880 | millions |
| Cattle | ... | ... | ... | ... | ... | 235 | " |
| Railways | ... | ... | ... | ... | ... | 770 | " |
| Public works | ... | ... | ... | ... | ... | 547 | " |
| Houses | ... | ... | ... | ... | ... | 2280 | " |
| Furniture | ... | ... | ... | ... | ... | 1140 | " |
| Merchandise | ... | ... | ... | ... | ... | 350 | " |
| Bullion | ... | ... | ... | ... | ... | 143 | " |
| Shipping | ... | ... | ... | ... | ... | 120 | " |
| Sundries | ... | ... | ... | ... | ... | 1255 | " |
| | | | | | | <u>£8720</u> | " |

Taking, then, the total aggregate wealth at 8720 millions and the value of the annual income at 1247 millions, we find about seven years' income in the aggregate wealth. When, however, we take out the land valued at 1880 millions, we find the value of the aggregate wealth equals about five and a half years' annual production. The value of the land arises from its scarcity, and consists of proprietary rights which cannot be regarded as social wealth.

These statistics solve the mystery of the rapid recovery of an enterprising people after a devastating war. Even if all the wealth were destroyed, which is never the case, it would only represent some five years' production, even in the case of the richest nation in the world. No nation ever works up to its productive capacity. There is always a reserve force, as in our idle classes, paupers, unemployed, women, and children. So that upon an emergency much more labour than ordinary is applicable to production. Hence, even supposing all corporeal wealth were destroyed, the labour of the United Kingdom could restore everything in four or five years, including railways, shipping, and public works. This proved recuperative power of a nation devastated by war should dispel the selfish fears of the well-to-do, who, imagine that the affluence and comfort of the masses would necessarily impoverish them. As with the corporeal frame so with society, if one member suffer, all members suffer with it; the health of the

whole body is dependent upon the health of every member. Work would be very abundant, and for reasons already given, under the special circumstances, very little, if any hindrance to labour would arise from "over-production" causing workmen to be thrown out of employment.

§ 7. It has been truly said, "The security of property is not violated merely when a man is deprived of the power of peaceably enjoying the fruits of his industry; it is also violated, and perhaps in a still more glaring and unjustifiable manner, when he is prevented from using the powers with which nature has endowed him, in any way, not injurious to others, that he considers most beneficial to himself. Of all the species of property which a man can possess, the faculties of his mind and the powers of his body are most particularly his own. He ought, therefore, to be permitted to enjoy, that is, to use or exert these powers at his discretion."*

Yet in a nation boasting of its freedom there are tens of thousands out of employment, who cannot obtain work, however willing to undertake and competent to perform it. The monopoly of a few is the cause of this injustice.

Every one should have an opportunity of working, and should be capable of securing an adequate value in wages for the produce of his labour. The land monopoly and the fortunes of the drones of society are two great impediments in the way of the masses obtaining either regular employment or just wages. A general modification of the laws of inheritance and bequest would lessen the evils arising from these causes.

§ 8. The laws of inheritance and bequest should be reformed, so as to prevent the acquisition of large fortunes, either in land or in any other property, by those who have not earned them; and a progressive income-tax might be imposed upon all property

* "Principles of Political Economy," p. 47. M'Culloch.

yielding a revenue, so as to render the accumulation of a colossal fortune in a lifetime prohibitory.

An heir, inheriting a large tract of land, practically comes into possession of a charge upon the annual produce of that land and the labour expended upon it. Under present arrangements no guarantee is secured that he will make any return to society for the rent he receives, and in many cases no return is made, beyond the use of the buildings and permanent works upon the land.

According to Mr. Caird, 30 per cent. of the total rent of good agricultural land is for buildings and other permanent works, and therefore to that extent, in the case of land, benefit is still derived from the labour of the past, upon which a claim for rent may be justly founded. But upon much of the National Debt, represented by Stock in Consols, the present generation is called upon to pay interest, without deriving any benefit whatever. A few generations ago a man lent property to the Government. This property must have been material, immaterial, or incorporeal. The material property has long ago utterly perished, and was very likely wasted in some worse than useless war. Time has long since obliterated any value in the immaterial property. Even if any knowledge remains that is not yet superseded by modern progress, it has become so common as to be incapable of appropriation, and is not a commodity as it possesses no exchange value. The value of the incorporeal property, which was simply a right, entirely depended upon the future: it was mere waste paper divorced from the anticipated result of future labour. In consideration, then, of perishable material and immaterial property—for the intervention of money, although it obscures, does not alter the fact—or in consideration of the loan of a right, the value of which depended upon future labour, the lender obtained a charge upon future production, not only for himself, but for his assigns until the debt

should be repaid. For the benefit of these assigns, a charge has now to be paid from the annual production, either for the interest, or for the discharge of the enormous capital sum. Nothing is secured in return to the unhappy producers, who are expected to admire the justice and relish the labour expended in discharging the claim, supposing they can unravel the complexities which obscure the real facts from general comprehension.

The arrangement is evidently one-sided.* The material and immaterial commodities were of a perishable nature, and if they had not been consumed by ordinary use, they must have been by natural decay, in the course of a few years. Why is the labour of to-day to be taxed for the consumption of these? But still more, why is it to be taxed for the incorporeal property? Only the incorporeal right existed at the time of the loan, the value of the service, which had purchased the right to future payment, had most likely even then perished, and possibly for generations, supposing there was any real service ever rendered at all.

The charge for securing the payment of the debt from Government should in justice only have extended over the then existing commodities, and only in such a way as not to mortgage the results of future labour beyond a generation. It was a very convenient way for the lenders to dispose of their perishable commodities by handing them over to the Government of the day, securing in exchange an annual charge, in perpetuity, on other people's labour. If a permanent income was to be secured to the lenders, the fairer way would have been for the Government to have granted them annuities for their lives, or even perhaps for a limited term beyond, in consideration and discharge of their loans. In this

* The report of the Select Committee on Perpetual Pensions shows that public opinion is veering towards this view. See the *Times*, March 24, 1888.

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way the generation which contracted the loans would have had to repay them. It would not be the fault of the lenders if the loans were wasted, and they might fairly claim repayment for the service rendered.

But the case bears a different aspect when the labour of existing producers is taxed to pay the interest on an ancient loan from which no existing benefit is derived. The fact is, the continuation of the bargain has not depended upon the justice of its foundation, but upon the complexities which have hidden the injustice of the arrangement from those who have submitted to the imposition. It would have been an advantage to existing producers, if the commodities formerly lent to the Government had been burnt, for the loss would then have accrued to the generation that produced them, without saddling future generations with liabilities. A large part of the National Debt was contracted in curbing the ambition of Napoleon Bonaparte. But had he devastated England as the Germans devastated France in the Franco-German war, in the ordinary course of events, the effects of the calamity would soon have been obliterated by the labour of the people, as was the case with France. It was practically impossible for Bonaparte to keep all Europe in subjection for any length of time, and unless he could have ruined England by perpetual exactions, she would rapidly have recovered from any temporary disaster. For under the pressure of want all classes would have devoted their energies to production; and for the time being the preying of the higher classes upon the lower would have been less conspicuous than in so-called more prosperous periods. Such a temporary disaster, to ward off which enormous debts were incurred, would have been less injurious to the present generation than the present misery among the lowest sections of the people, induced, directly and indirectly, in no little degree, by drones acquiring

the produce of their labour, in the form of consol dividends, without rendering any return.

If, from expediency, on account of the difficulties arising from intermediate purchases, the present generation elect to continue the payment of the interest on the National Debt, although it was no party to the original agreement, it is time a limit was defined beyond which all future liability will be ignored. This period might be extended for a period of a few lives, the debt gradually being extinguished by augmenting probate duties. Meanwhile it will only be reasonable if the present generation insists that the recipients of the fruit of its labour, in the shape of this interest, shall make a return in some form of service to society, whether the return be in physical, intellectual, or moral force. No such return is made by *idle* recipients of the annual dividends from consols. When such persons talk loudly and angrily of confiscations, they must remember there are two aspects from which confiscations may be viewed. The one from their standpoint as mere parasites; the other from that of the toilers of society, the fruit of whose labour they appropriate.

§ 9. However possible "the nationalization of the land" may become in the future, I do not believe the moral development, even of the most advanced civilization, has progressed sufficiently to render such a scheme practicable at present. It would place such vast power in the hands of Government, that it is doubtful whether existing evils would not be increased rather than assuaged.

A more practical reform with regard to the land would be in the direction of the land laws of France. The French system "divides nearly all the land which a man possesses at his death among his children." The compulsory division of the land at the death of the owner acts satisfactorily in the Channel Islands. Because such a curtailment of the laws of inheritance and bequest has hitherto been foreign to English

ideas, and has been beyond the range of practical politics, it does not follow that it will always continue so. Every day seems to bring stronger evidence of the growing tendency of public opinion in this direction.

The probate and succession duties might also be largely increased, as an equitable means of enriching the imperial exchequer. They who come into property they have not earned, giving them a charge upon the annual produce, might thus be made to contribute largely to the taxes, which somebody must pay, and which now fall in unfair proportion upon the toilers of society. Part of the funds arising from this source might be set aside by Government to form a fund which, with premiums paid by all workmen between the age of twenty and sixty years, might secure pensions for all over sixty years of age. Under existing arrangements, after working all their lives, often upon starvation wages, they have nothing to look forward to when worn out but the workhouse, with the alternative of dying of starvation in a ditch.

Another source of revenue might be derived from the idle rich. If tramps are to be sent to prison as idle vagabonds, it is not quite clear why the idle rich should be permitted to indulge in a course of conduct which is punishable in a lower grade of society. When the real function of capital is understood, both classes will be realized to prey upon the community. But the idle rich are a greater scourge to society than the criminal classes; in fact, they have a very potent indirect influence in producing the criminals. A heavy tax would be very salutary, especially in the case of young men, in the upper grades of society, who could not show they were engaged in some useful work from which the community would benefit. With the abandonment of the old theory of capital, there will no longer be any excuse for the existence of these drones. Not that it is meant to be inferred the upper grades of society have not been, and are not still, very superior to the

lower. With all their advantages it would be a scandalous shame if they were not, and unquestionably they are so. England's pre-eminence, no doubt, has largely been due to her aristocracy, of whom every Englishman may be justly proud.* Whatever may have been their faults, to their eternal honour, untarnished integrity, as a rule, has been one of their conspicuous characteristics. Probably the influence of this integrity has not been too dearly purchased for the nation, by such advantages, great though they have been, as they have been permitted to enjoy. Old ways of thought, however, are fast dying away. It is high time to awake out of sleep, and prepare for a future big with coming changes.

It may be asked, if the laws of inheritance and bequest were greatly modified, what inducement would there be to accumulate property? Plenty. Are not the fruits of labour during life sufficient to brace the energies of the most ambitious? Men and women undergo years of irksome training to acquire accomplishments, which they know for a certainty must be lost at death. And the advantages derivable from property during the life of the owner, would be sufficient inducement to act as an incentive to labour. In fact, now, with most, it is the chief inducement for rising up early and sitting up late and eating the bread of carefulness. Few give their property to their children until they can no longer hold it themselves. But, no doubt, the desire of bequeathing property to children is greatly intensified by the present evils arising from the laws of inheritance and bequest, which so heavily handicap those having no

* This passage has been questioned by one of the profoundest scholars of our social and industrial history. I think, however, I have only stated what is fairly due to our aristocracy. I do not mean to say that they have been all that they should have been by a very long way; but I do maintain that their government has been comparatively free—pre-eminently so—from that notorious and open dishonesty which, for instance, has been a marked characteristic in the administration of the American Government.

property. Under the present order of things, the idea of leaving a family unprovided for, especially in the case of a widow and girls, is a perpetual nightmare. In the event of destitution, it is realized the fruit of their labour will largely become a prey of the distributors, who are in a position to take advantage of the necessities of the helpless. It is trite that it is the first hundred pounds which is the great difficulty in acquiring property. The richer a man becomes, the easier and faster does money roll in, while his individual exertion is probably proportionately less.

§ 10. It is not only, however, the laws of inheritance and bequest that require modifying; but the power of accumulating colossal fortunes that needs regulating. As these large fortunes give their possessor an undue advantage in acquiring distributions, in the forms of rent, interest, or profits, from the annual earnings of society, a means should be devised to neutralize, within reasonable limits, this advantage. A progressive income-tax might possibly meet the case. This would throw a much larger burden of the taxes upon the wealthy than they have hitherto been called upon to bear. Starting at a moderate rate, it might continue to increase in severity, so as to be prohibitory to accumulating a colossal fortune in a lifetime. In this way the advantage over the national earnings which such vast accumulations now afford might, in a great degree, be neutralized. An immense fortune can rarely be usefully spent by an individual, and the social benefit derived by such fortunes being invested has been shown to be a delusion. In any case, whether owned by an individual or by numbers, the great bulk of it would find its way into the market as capital.

It does not follow that because a man accumulates a fortune during his life that he is a social benefactor. Whether a man benefit society in accumulating a fortune is a question of no little complexity. It is evident, however, that merely appropriating the

earnings of others will not add to the common weal. His work must be conducive, in some way, directly or indirectly, to production, and moral and intellectual, as well as physical energy may bring about this result. For instance, woman's influence has had an effect in domestic and social life of the supremest importance, and in the future may be expected to increase almost indefinitely. The Prince Consort, so greatly undervalued in his life, by his philanthropic efforts in the elevation of the working classes, when it was the fashion to stigmatize them as "the great unwashed," had a great influence in promoting their welfare. It is now beginning to be realized that the national prosperity depends largely upon the condition of the masses, and those who work at promoting their welfare are beginning to be regarded as benefactors. So Caxton, who introduced printing into England; Jenner, by his discovery of vaccination as a preventative of smallpox; and John Howard, by his prison reforms, had a wonderful influence for good. Hargreaves, Arkright, Compton, and Cartright developed in a remarkable degree by their inventions the productive power of man. Watt, in utilizing steam, gave a new significance to many inventions by superseding the feeble and unequal forces which had hitherto been used, by the most powerful and tractable of agents. Davy, by his safety lamp, facilitated the production of coal by lessening the dangers of the miner's life. Such as these added to the national prosperity by their inventions and moral influence, and some of them acquired considerable fortunes; but rapacious promoters of "Syndicates" and "Trusts" are a scourge to society.

What service did Vanderbilt, the American, render to his country that he should be able to appropriate to his own purposes annual produce represented by the interest of forty millions sterling? Have shareholders in American railways much cause to glorify him? Even taking for granted the expediency of

permitting immense fortunes to be enjoyed during the lives of those who accumulate them, it becomes a question of public expediency whether the power of bequeathing them should not be so regulated as to enforce their division.

If cases of colossal fortunes were solitary, the mischief would not be of such magnitude, but we shall find they are by no means rare. In England they swarm. In 1875 twenty-three Englishmen died leaving over a quarter of a million each.* In one year these men left a total of £12,390,000. Their names are as follows :—

| | | |
|---|--------|-----------|
| Roger Lyon Jones, Liverpool | ... .. | £350,000 |
| William Tarn, Chislehurst | ... .. | 500,000 |
| John Hargreaves, Berks | ... .. | 600,000 |
| Joseph Love, Durham | ... .. | 1,000,000 |
| Strutt, Derbyshire | ... .. | 900,000 |
| Lady Vane | ... .. | 250,000 |
| Joseph Goff | ... .. | 350,000 |
| Virgil Pomfret | ... .. | 400,000 |
| Henry Adderly | ... .. | 250,000 |
| William Gibbs, Bristol | ... .. | 800,000 |
| Charles Turner, M.P., Liverpool | ... .. | 700,000 |
| J. A. Arbuthnot, Windsor | ... .. | 400,000 |
| Peter Ormrod, Lancashire | ... .. | 700,000 |
| Robert Alfrey, Berkshire | ... .. | 400,000 |
| James Houghton, Liverpool | ... .. | 250,000 |
| Wynn Ellis, Whitstable | ... .. | 600,000 |
| William P. Herrick | ... .. | 800,000 |
| Rt. Hon. G. A. F. B. Howe | ... .. | 250,000 |
| Rt. Hon. J. W. Hogg, Grosvenor Crescent | ... .. | 250,000 |
| James Baird, Cambusoon | ... .. | 1,190,000 |
| Earl of Sheffield | ... .. | 300,000 |
| H. K. Belstone, Manchester | ... .. | 250,000 |
| Charles Lambert, Upper Thames St. | ... .. | 900,000 |

Thus the total sum these men left amounted to nearly the whole earnings of the United Kingdom in 1883, which was 1265 millions sterling. These twenty-three men at their death could have bought up very nearly the whole earnings of the United Kingdom for one year. No doubt the greater part of these fortunes were inherited ; but assume all the fortunes were earned by

* "Poverty and the State," p. 126. H. V. Mills.

these men. Where did they come from? To suppose they were the produce of the owner's personal labour at creative production is of course absurd. Not one in the list was even a well-known inventor, or, as far as I am aware, known for anything in particular except, perhaps, the reputation for wealth. Had the owners accumulated these fortunes, they must have obtained them from the toilers of society, by appropriating the fruit of other persons' labour. What benefit would society derive from the proceeding? Absolutely none, if the theory of capital in this work is the correct one. On the contrary, the accumulation of fortunes of this kind largely contribute to the misery of the lower strata of society. "The tramp is the complement of the millionaire." At 4 per cent. in round numbers, these twenty-three men had a charge on the annual produce to the value of £490,000. Now, as money is merely an instrument of exchange, and may be regarded as performing the work of counters, their real power was over the produce of labour. It would be interesting, if it could be traced, to learn how many men were thrown out of employment by these twenty-three men, and what influence they had in producing the competition for work which cut down wages, as well as the amount of "over-production" which the congestions of capital in their hands caused during their lives. Assuming they rendered no other service to the community than such as, under the teaching of the past, their capital was supposed to accomplish, these twenty-three men sponged upon the annual earnings of labour to the value of £490,000. Moreover, if they handed these fortunes down by bequest, under similar circumstances, their successors are likewise reaping where they have not sown, and gathering where they have not strawed, and are consequently spreading destitution and misery somewhere in the community.

The evil, however, would be comparatively insignificant if it was confined to the influence of twenty-

three individuals; but, unhappily, it extends over a large section of society, so that the drones are drawing the very life-blood of the lowest poor. From statistics already given, it will be seen that about one-fourth of the annual production falls into the hands of about one-thirtieth of the population.* And less than one-third of the population appropriate two-thirds of the annual income, leaving one-third of the annual produce for the working men, who are twice as numerous as all other classes put together. In this unjust system of distribution lies the cause of so many workmen being out of employment, and of the congestion of capital called "over-production." Here, also, is one great cause of the difficulty of starting "our boys" and "our girls" in life.

§ 11. The primary object of the nation with regard to the land should be to use it for the national welfare, as the one great source from whence the necessities of life come. Class and individual interests, as time goes on, will no doubt be made subservient to this. Primogeniture, entail, and the absurdity of copyhold tenure are certainly doomed. As no man can live without work of some kind, either performed by himself or by some one else on his behalf, every man has a right to demand that no obstacles shall be placed in his way so as to render his employment practically impossible. Under our present industrial arrangements large masses of our population cannot get employment, and a still larger class cannot procure healthy habitations. It is for the working classes to remove these evils by enforcing the removal of the present fetters from the land, so that all, as a last resource, shall be able to find employment on the land, and shall not find the acquisition of a site for a house utterly impossible as at present.* They must make all class and individual interests subservient to the one great aim of the national welfare which demands employment for

* Page 304.

all, and the physical possibilities of a healthy existence as regards habitation and sanitary requirements.

It is said, if you bring forward any measures that look like confiscation, you will bring in array against you the whole force of the property class, and will indefinitely delay the much needed reforms. Pooh! Just as if the property class will move in reform until they are compelled. What is wanted is to discover the origin of the evils afflicting the lower orders, and then to make them clearly understand that they are likely to continue to bear their afflictions until they bestir themselves to enforce the claims of justice. No one advocates confiscation. In common fairness, the working man must be acquitted of any advocacy of confiscation in the past. All teaching has emanated from the affluent, who have given a very one-sided view of affairs. They have preached up the divine right of property, much in the same way that two centuries ago they preached the divine right of kings. The protection of one king's head was left to divine might, and he lost it; a second king took to his heels rather than face his incensed subjects. The doctrine of the divine right of kings ceased to be taught as soon as the people regarded it as nonsense. It would be interesting if we could know how long the doctrine of the rights of property, as at present taught, will gain adherents. The advocates of the doctrine have preached up the rights of property while leaving entirely in the background its duties. The poor have writhed for ages in their misery, for they have not understood the origin of their woes. They have been taught a mysterious Providence has ordained their lot, and to this very hour they have shown a reverence for the rights of property. And far be it from me to advocate confiscation. On the contrary, it is the aim of this work to protest against the produce of the poor man's toil being wrung from him, by means of the proprietary rights of a privileged few.

CHAPTER XI.

HOW THE LAND CAN BE MADE ACCESSIBLE TO ALL.

§ 1. HOW is the right of access to the land to be open to all?

(a) We will first take the case of those who have neither money nor credit, and who are out of work and cannot find employment.

For this class State provision should be made in place of the present poor-law provision, which is such a miserable failure, degrading the pauper and rendering him helpless, while by its reflex influences it sears the conscience, and has a tendency to brutalize the affluent. For the poor-law system tends to smother the pity of the comfortable classes, and commutes the calls upon their charity at the amount they pay the tax collector.

Our unions in the course of time may possibly give place to co-operative estates upon some such plan as Mr. Herbert V. Mills has sketched out in his work entitled "Poverty and the State." Here the State might provide the opportunity for all to find employment who were capable of working, and had no other occupation elsewhere. The aged and infirm, the sick and incapable, should be provided for as at present, without any work being exacted. The "death duties" and progressive income-tax on the incomes of the rich might largely go towards making provision for these, until a system of insurance in youth gradually reduced this burden, and enabled all to make provision for old age and accident.

A few extracts from Mr. Herbert V. Mills's work will briefly lay the outline of the plan before the reader.

"Attempts have been made to give work to the unemployed, in such a way as to make them independent and self-supporting. Here the end sought to be accomplished is like our own. And we found that the one difficulty which hitherto has proved insuperable is this—we could not find a market for our products." *

"Now, by a judicious production, and by extending the principle of co-operation, I propose to find this market.

"It is quite clear to the thoughtful reader that we cannot possibly bring together 4000 persons without requiring at least 4000 suits of garments every year.

"Here, then, there is work provided at once for a certain number of spinners and weavers, of tailors and hatters, of milliners, dressmakers, stocking knitters and shoemakers, tanners of leather, etc.

"We cannot bring together 4000 persons without requiring 365 breakfasts, and dinners, and teas, and suppers for them every year. Here, then, is work provided for cooks and kitchen-maids, for farmers and gardeners, for milkmaids and dairymaids, and bakers and preservers of fruit, and, within certain definite limits, we shall have no difficulty whatever in disposing of our produce.

"In short, we must constitute our own market; we must co-operate, not only to produce and distribute, but we must co-operate also to consume our products. We must lift co-operation out of the rut of selling groceries and of being a joint-stock company, and must enter upon the era of complete co-operation. It ought to be observed, too, that such a market as I have described will always be a very convenient one; since it will always be close to the place of production, and the produce will not be encumbered by railway rates

* "Poverty and the State," p. 164.

for carriage. In other words, we must grow our own wheat and oats, and potatoes and fruit; we must raise our own cattle, grow our own flax, spin and weave our own wool and linen, and grind our own corn. And I believe that, having such diversity of occupations, we shall always be able to occupy a man out of employment at the particular work he can do best.

“Four thousand persons thus living together upon a co-operative estate (no longer to be called by the name of workhouse) will not have an unlimited market. That is quite true. But they will have as large a market as they have any right to. They cannot have a larger share of the world's market than that which they themselves constitute, without depriving some other community of its market. It seems to me that the justice of this proposition has not been clearly realized hitherto.

“Of course exchanges will be necessary sometimes; and they will be exchanges of two kinds: first, exchanges between the co-operative estates of various unions; and, second, exchanges of a limited kind between the co-operative estates and the world at large. The co-operative estates will exchange with each other; for example, coals from the Wigan Union will be exchanged for wheat from Liverpool and Birmingham Unions. The unions of the pottery districts will be glad to exchange their products for such foods as do not easily grow in their own localities. If in such cases as these there is any element of competition possible, it is one that will not affect the world outside; but the co-operative estates must do (for their own sakes) all that is possible to place it under proper restraints. I imagine that there will be no difficulty in doing this when the scheme is tested. If the co-operative estates thus produce for themselves and consume their own products, we shall almost have overcome another obstacle which has previously stood in the way of self-supporting enter-

prises of this kind, viz. the obstacle raised by the manufacturer and tradespeople of the towns, who have thus far entered a complaint against the managers of workhouses and prisons, when they have produced articles intended for sale in the general markets of the world. If the scheme be adopted on the lines I have laid down, it will be found that the co-operative estates have conferred a benefit upon the ordinary tradesman and manufacturer, inasmuch as they save him from the poor's rate, and from the endless succession of charitable persons collecting subscriptions, and of destitute people who pass his gates hanging down their heads, or who come across his garden begging for alms."

Mr. H. V. Mills thus briefly summarizes the main features of his scheme*—

"1. We must persuade our Parliament and our poor-law administrators of the folly of giving doles to the destitute; we must then ask Parliament to change the basis of the poor-law; instead of saying, as hitherto, that the duty of the State towards the poor is to find the necessaries of life for all who need them, we must say that it is the duty of the State to provide the poor with an opportunity of earning these things; which is the same as saying that the true motto for a well-governed State ought to be, 'Co-operation in the produce of the necessaries of life, and competition in the produce of its luxuries.'

"2. An Act of Parliament must be obtained which will enable poor-law unions to collect a sum equal to the present expenditure on account of the poor for two years. The Act may be either compulsory or permissive; the experiment would be most satisfactory if it were compulsory.

"3. This sum shall be used to abolish all State dole-giving, and to enable the unemployed workmen to earn an honest, independent livelihood. A tract of land shall be purchased in, or near to every poor-

* "Poverty and the State," p. 134.

law union, equal in acreage to one-half the average unemployed population of the union, and it shall be stocked with cattle, and seed, and machines, to enable the inmates to earn their own food, and clothing, and shelter. As far as possible competition shall be abolished within the walls of this estate.

"4. That to those who thus earn their living, the utmost freedom be given, after the working hours, to earn such luxuries or conveniences as are not included amongst the 'necessaries of life.' That they be enfranchised and regarded as independent, if they themselves show any willingness to serve the country by organizing volunteer regiments, or by contributing in any way towards the expenses of governing the country.

"5. That the managers of the 'co-operative estates' be instructed to encourage the workmen to make their homes and work-places as healthful, convenient, and beautiful as possible; all plans for this purpose to be first submitted to them for approval, whose judgment as to the advisability of these improvements, particularly of any alteration of premises, shall be final.

"6. That for all work done under the control of the 'co-operative estates' no money shall be paid. That for the work done, a home shall be found; good meals provided; and serviceable clothing, in which a liberal choice of design and material be afforded to the workers, instead of the uniform ugliness which accompanies the present system.

"7. That for these things and for insurance and wise government a period of not more than six hours' labour a day shall be exacted, so as to leave the workers free to earn anything else in the ordinary ways of trade and production which they may desire; it being the theory in all civilized countries that the State shall supply to those who are in need, food and clothing and shelter.

"8. That so far as possible unemployed workmen shall be put to the work they can best do; and that

the custom of supplying stone-breaking and oakum-picking for the mere sake of finding work be abolished in England as an expedient unworthy of the age in which we live. That all who are able, and who have not worked out the insurance period, shall work every day so long as they remain within the walls of the estate, and partake of its benefits.

"9. That within the walls of 'the co-operative estates' we shall endeavour to cultivate able and tender men, and brave and independent women; and not to accumulate wealth."

Of course, co-operative estates of this kind, or of any other kind, are not going to spring up, like Jonah's gourd, in a night and be self-supporting. A change of such magnitude will need time, and possibly require generations for full development. But however distant the complete practical realization of the theory may be, the practical realization of some such theory seems to be a probability of the near future. The machinery of our Poor Laws is acknowledged to be hopelessly defective, and incapable of accomplishing the work for which it is intended. Meanwhile the angry murmur of the tens of thousands who are unable to find employment is gathering in volume, as it is augmented by the masses of underpaid workmen. The remedy only awaits the time when the lower sections of society have attained the intelligence to realize what they want, and to perceive the impediments which stand in the way of their just claims. The method once being agreed upon to remedy their existing misery, the opposition of the wealthy classes will be brushed aside as mere cobwebs; and the sooner the upper grades of society perceive this, and awaken to their responsibilities, the better will it be for the national welfare.

In the co-operative estates work would always be attainable, and a return for work performed equivalent to the value created by the work, after the outgoings of exchange and distribution were allowed for. There

would be no distributor to pare down the value produced by the workman, until only sufficient was left to supply the absolute necessities of existence to the worker. Here in rude plenty the workman, with no higher aims, might live in peace, at the same time supporting himself. If his intelligence—and after all it is a mere matter of intelligence—was not sufficient to prevent him having more children than he could support, compulsion as at present might be resorted to, until his imprudence was corrected.

(b) For the more ambitious the wide world would be open. There would be ample room for competition, even after the laws of inheritance had been modified, and the power of bequest had been curtailed, and a progressive income-tax had set a limit to the property an individual might hold. With land as easily transferable as consols, no insuperable barrier would be in the way of even an unskilled workman finding work. There would be an easy possibility of an industrious workman buying sufficient land for building a house, especially as local authorities would probably have special powers to acquire land for building purposes, as they even now have to provide allotments under the late Act—miserable farce that it is. Land, when easily transferable, would also be obtainable for adding to an income acquired in other occupations, and as an object of recreation—a very important point, with the close attention to one monotonous task demanded by modern industry; or small farms would be available for providing an income by agriculture alone.

The reform in the laws of inheritance and bequest, in the direction indicated would gradually break up the large estates, perhaps as rapidly as could be accomplished beneficially. In the meanwhile a progressive income-tax might be levied on all estates of land, and indeed upon all property yielding an income, practically rendering enormous holdings and colossal fortunes prohibitory. If the present owners elected

to hold the land of their ancestors, the progressive income-tax would neutralize, in some degree, the advantage they derived from the dead, enabling them to appropriate to themselves annual produce raised by the labour of others.

With the land unfettered, employment might be open to all. The land would be attainable for employment: on the co-operative estates for those having no money and little enterprise or ability; or by purchase, or tenure of some kind, with due provision against rack-renting, for those having the means to purchase and the ability for productive enterprise. The Channel Islands show how enormously more productive the land might become. Vast multitudes who now do nothing might devote their energies to productive enterprise by physical or moral power. With the increase of creative production the scope for manufacture and commerce would proportionally increase. After all, as I have frequently reminded the reader, demand is dependent upon supply and *vice versa*; the one from the aggregate point of view is not independent of the other. Under the improved distribution enormously increased production would be possible, without the "over-production" phenomena now so common, which is induced by congestions of capital.

§ 2. But it will be asked, where are the means to obtain the capital to work the land, or to carry on productive enterprise, even supposing workmen obtain possession of the land by purchase or by tenure of some kind? Here, indeed, a formidable obstacle stood in the way under the old theory of capital. Under the maintenance theory of capital the disapprobation of the "capitalist" was sufficient to blast all enterprise in the bud. If he willed not to advance the maintenance, no enterprise in production could be commenced. Supported by a theory which in many respects seemed plausible, the "capitalist" appeared complete master of the situation.

The rapid development of credit, however, is fast undermining the old theory of capital. It is beginning to dawn upon the growing intelligence that the "capitalist" of the future will not maintain either the power or the pre-eminence of the past. The fall in the rate of interest is already alarming the social drones. Four per cent. can no longer be obtained on a first-class security, and a still further progressive decline is almost a certainty with peace, liberty, and a more general diffusion of property. Advanced thought has already realized that credit will have even a greater levelling influence than either gunpowder, steam, or telegraphy. The coin money of the "capitalist" is fated, it seems, to hold quite a subordinate position in the future, even if it is not actually broken up, or banished to museums, as the armour of the knights of yore. This armour once contributed to the scorn with which the nobles charged the unprotected mobs, as they drove the masses in wild confusion before them. The invention of gunpowder placed the foot-soldier on an equality with the knight, and taught the masses how easily they could break through the dominion of iron. The rustic, as he handled his musket, regarded the armour of his mounted adversary with a kindred contempt to that with which his feeble defence had formerly been regarded by his ironclad foe; and it was a mere question of time, in developing the new invention, to banish the armour-clad knight from the battle-field. The increase in population gave the landowners a great advantage by augmenting the value of their land. The last few years has taught them, to their cost, how much, like the rest of us, they are the mere creatures of circumstances; and how little either riches or influence are necessarily dependent upon inherent merit. The increased facility of transit, resulting from the development of steam, has wrecked their fond dreams of dominion, and is making them lose ground daily both financially and socially. Swift ships and relays

of post-horses once gave the merchant an advantage in learning the state of foreign markets ; but the day of sixpenny telegrams finds the mighty put down from their seat, by the exaltation of the multitude to a common privilege of instant intelligence. But there has been a further levelling process, advancing stealthily with giant strides, during the last half century, which is fated to be still more disastrous to the solitary grandeur of the great, than either gunpowder, steam, or electricity has been in the past. I mean the growth of credit. Gold every day is being more and more confined to the smaller transactions of commerce, and credit is more and more monopolizing what was formerly the exclusive work of coin money. Let commodities be produced that are wanted, and, if there are no artificial barriers such as vested interests, etc., impeding their circulation, credit will answer and does answer, all the purposes of coin money, or any other capital, in effecting exchange. When this is understood, together with some of the other economic truths which the last few years have brought to light, the old maintenance theory of capital will have become one of the abandoned delusions of the past.

The great question for consideration, when contemplating engaging in a business, is, will it pay? Suppose a man buys or rents a piece of land. For the sake of simplicity, we will imagine the labour to be expended upon it is entirely that of the occupier and his two sons. He enters upon the enterprise with the intention of making it pay. That is, he expects to provide himself and his two sons with a greater value than the value of the labour, etc., they expend ; to produce enough to provide for a longer period of labour than that expended in producing the result. Now, supposing the land is the sole occupation and resource of the workers, if the enterprise is to pay, the annual value returned must at least be sufficient to discharge all outgoings, including

depreciation, etc., and to supply the necessities of existence. If it does this, the land may be said to pay. If it does more than this—and it should do considerably more, assuming there is sufficient land fully to occupy the three men—then it may be said to pay indifferently or well, according to the surplus value so produced. Now, whether an enterprise will pay will depend upon a combination of circumstances, but credit may be legitimately and profitably employed, if the proceeds of the work will ultimately discharge the amount of credit advanced with the interest, after having supplied the necessities of existence and all outgoings. Such credit in all respects is capital; it does the work of capital, viz. it facilitates exchange of the products of labour, precisely in all respects as coin money or any other commodity would do.

It is not only, then, in large commercial transactions that credit is capable of being profitably employed; it is as capable of being profitably used in all minutiae of creative, manufacturing, and commercial production, so long as it can perform its legitimate work of facilitating advantageous exchange. It has its limits, as has already been argued elsewhere, like any other capital, and using it in excess can only be productive of disaster. To use Mr. Macleod's words, the limits are, "the power of the proceeds of the work to redeem the credit." Within its legitimate limits, credit is as capable of stimulating the industry of the peasant on his small plot of land, or the handicraftsman at his work, by enabling them to exchange the products of their labour, as it is in promoting the building of a market hall, which it actually did in Guernsey, or as it does in tens of thousands of transactions that daily pass through the London and other clearing houses.

§ 3. Banking credit for common workmen will sound ridiculous to English ears. No banks exist to transact such business. Yet banks exist for kindred

transactions, and their business increases yearly at enormous strides. Moreover, the profits far away exceed those of any other joint-stock enterprises. Why not, then, for the industrious poor? The reason is not far to seek. The industrious poor have no fixity of tenure. They are entirely divorced from the soil, to the lords of which they have been expected to order themselves lowly and reverently. They are subject to dismissal from almost all occupations at a week's notice, at the convenience or caprice of their employers. They are compelled by the land monopoly to compete with one another for wages, and any great profit accruing from their labour is not for them, but for the landowners and the employers.

With fixity of tenure, banks would spring up to lend cash credits, just as local markets spring up or die out according as there are sufficient peasant proprietors and small farmers or otherwise, needing a market for their produce. The history of banking in Scotland proves this, just as the history of the Channel Islands and the Continent prove the existence of the local markets, when *la petite culture* is in vogue.

§ 4. The possibility of the extension of credit to assist the industrious poor is no mere Utopian dream. It has already acquired considerable development in Scotland and Germany. The cash credits of the Scotch banks, like all other capital, assist in the formation of new products by facilitating the exchange of the products of labour. Accommodation paper will not feed labourers, nor will it perform the work of any other tool except that of an instrument of exchange. This it will accomplish, and this is its function in the formation of a new product. By its means the legal expenses of securing the land may be met, and the costs of production generally, until the product itself discharges all the claims incurred. For the cash credit is capital, and may be exchanged for the lawyer's capital, comprised in the labour of

preparing the deeds, etc. ; in the same way it may be exchanged for the labourer's capital comprised in the result of his work ; it may exchange for the tools and all other requisites of production, which are capital consisting of the accumulated products of labour ; and it may exchange for the capital involved in the labour of transport and sale, and all other intervening labour, the result of which is capable of being directly or indirectly exchanged through the medium of cash credit, until the cash credit is finally liquidated by the new product which it has assisted in producing.

§ 5. There is no doubt English banking is capable of extension in the direction of the Scotch system, and there is little doubt it would have been so extended had the English workman had any security of tenure. What is more, when once the fetters are removed from the land, the co-operative societies of the working men themselves may develop banks of their own to afford credit in assisting industrious and upright workmen.

It will be necessary for me to explain what I mean by co-operation, as it is here used in a different sense to that in which I have employed the term in the former chapters. I shall give Mr. Holyoake's definition : " Co-operation is profit-sharing ; it consists in giving to the purchaser at the store and to the workman in the workshop an equitable share of the profit produced by his custom or by his labour. Co-operation expects from each person the best service he is able to render, under the condition of rewarding him according to what he does. . . . In the stores the profits made are divided among the customers according to the amount of their purchases ; in the workshop the gain accruing is equitably divided among workmen and directors in proportion to the money value of their skill and service. . . . Co-operation in industry means the equitable distribution of all gain among those who earn it. This is a new idea among

the working people in our towns ; for the method of applying it is scarcely forty years old." *

The co-operative societies appear to have a grand future before them. Fifty-six of these societies have taken a total of £80,000 of shares in the Manchester Ship Canal. Mr. Holyoake, the writer of the article "On the Growth of Co-operation in England" in the *Fortnightly Review* for August, 1887, very justly remarks: "The idea of working men having the public spirit or the means of investing £80,000 in an undertaking of this description would have been deemed a few years ago not only Utopian but absurd." Even in these days of the early infancy of these societies, the following statistics, taken from the Registrar's reports, will show what enormous sums for banking purposes the existing co-operative societies might furnish from their profits:—

"The total number of co-operative societies in 37 counties of England is 951.† The total number of members is 674,602. The total sale of goods in England by co-operative societies is £24,483,869, for which the trading charges were £1,720,572, and the profits arising therefrom £2,331,055. The share capital held by the members is £7,941,243, the loan capital being £1,293,828.

"The total number of co-operative societies in 24 counties of Scotland is 305. The total number of members is 121,386. The total amount of sales made by all the societies in Scotland £5,134,640. The trade charges upon that amount of business are £254,528. The total profit made is £523,823. The share capital held by the members amounts to £784,875 ; the loan capital to £529,118.

"In Wales there are 23 societies, having 6820 members. The sales made by the societies are £239,416, on which the trade charges are £10,913, and the profit £26,580. The share capital held by the members is £64,862 ; the loan capital £3958.

* *Fortnightly Review*, August, 1887, pp. 157, 158. † *Ibid.*, p. 164.

"In Ireland the number of societies is nine; the number of members 879; the amount of sales £24,754; trade charges £1596; the profit £2008. Share capital £8773; loan capital £205."

The president, speaking at the co-operative congress in 1887, declared one bank whose transactions amounted to £16,000,000 a year was owned by the co-operative societies there represented. With the growth of intelligence, business capacity, and commercial integrity, no doubt working men will rapidly increase their banking establishments. One of the first requisites in the furtherance of this object is to obtain security of tenure, the great obstacle to which is the existing monopoly of the land. With security of tenure secured to the workmen, the banking establishments in connection with co-operative societies, if properly managed, ought to be extremely lucrative. The present system of banking affords very little means of assisting working men. The £1 note, so useful in Scotland, is not legal in England. English bankers have successfully opposed its introduction, chiefly on account of the extra trouble it would involve, and probably, also, because, under the English laws, working men would have had little chance of creating a great demand for them.

In order to acquire efficient banking accommodation, working men will have to establish banks of their own, just as their experience has taught them the necessity of establishing their own wholesale houses to supply the various co-operative societies. They now own vast and stately warehouses in Manchester, in London, in Newcastle-on Tyne, and in Glasgow.* While they were dependent upon large grocers and merchants for provisions, etc., they were badly served, and sometimes were not served at all. It was this that compelled them to establish wholesale buying societies of their own; by this means they were enabled to obtain the best goods in

* *Co-operative News*, June 4, 1887.

the best markets at the greatest advantage, and supply the humblest store with provisions of the best quality. It is something new for these societies to commence banking, and at present only one bank exists. The Germans, however, have extensive banking establishments, and Italy even exceeds Germany in co-operative banks, so that it is only likely to be a matter of time for them to rapidly develop in England.

It will be interesting to observe how rapid has been the growth, and startling the success, of these co-operative societies.

"In 1844, when the Rochdale store began, it had 28 members—£28 of funds—and made no profit. In its second year it had 74 members, £181 in funds, £710 of business, and made £22 profit, 2½ per cent. of which was a very small fund for education. In 1876 its members were 8892, its funds were £254,000, its year's business exceeded £305,000, its profits were more than £50,500. Its profits have since been greater, though, from causes it would be a digression to explain, they are now less. Leeds to-day has 23,000 members, and makes £59,000 profit. The two societies of Oldham (the Industrial and Equitable), with less than 23,000 members between them, made last year £90,000 profit."*

* *Fortnightly Review*, August, 1887, p. 163.

CHAPTER XII.

CONCLUSION.

THE general social welfare is dependent upon a greater aggregate production of wealth. The aggregate earnings of Great Britain in 1880 are estimated in money value by Mr. Mulhall at £29 10s. 7d. per head, free of taxes, which, allowing five for a family, would afford an average income to every household of £147 12s. 11d.* Assume production has not increased since 1880, and suppose, simply for the sake of argument, that the present production was equally divided. Although, in such a case, all might have the absolute necessities of existence, there would not be sufficient abundance for promoting the intellectual and moral welfare of the nation. The higher and cultured classes would be deprived of the abundance which is absolutely requisite for intellectual and moral progress, while the present standard of civilization is not sufficiently advanced in the masses to enable them to utilize the additional wealth that would fall to their share, under the supposed *suddenly* enlarged distribution. Far more would be lost by such a proceeding than would be gained, and the production of future wealth would for some time be very seriously decreased by any such method. It would be suicidal folly to dilute the blood that flows to the brain, the source of intellectual power, in order to send an unduly rich supply to the least important organs of the

* "Balance Sheet of the World," p. 10.

body, such, for instance, as the hair and nails. The aim should be a distribution that would meet the highest interests of the whole body. So the social welfare will not be promoted by taking away from the rich wealth which is best expended in that direction, in order to give it to the poor, where it will not perform as important functions. The total production of wealth in the present state of affairs is not sufficient to promote the highest possible intellectual and moral development of the nation. Nor is it likely to be for some time to come. The increase must be gradual, keeping up with the intellectual and moral growth of the masses, which alone can enable them to utilize the wealth that falls to their share in promoting civilization.

But, after all, it is not a matter of supreme moment how existing wealth is divided. A great part of existing * wealth will be consumed within a year, and most of it in ten. It is future production and future distribution that is the point of supreme importance. Let us, however, get rid of the unmanageable term "wealth." The increase of wealth must come through the production of the future, and the annual production may be considered as capital. As scarcely any produce is consumed by the actual producer, what is wanted is purchasing power, or capital. Now, the annual produce distributed in rents, interest, profits, and wages, as we have seen, is capital in accordance with the definition of capital given in this work. For, sooner or later, the produce will be sold to pay the rent, interest, and wages, and to secure the profits in the form of the commodities desired by the employer. English producers, at all events, use but a very insignificant portion of their produce for their own direct consumption, and this may be left out of consideration. Almost all commodities are obtained by the consumer by the instrumentality of capital. Practically, then, what is needed is an increase in the

* Page 148.

aggregate production, and as the production will take the form of capital, we may say what is needed is an increase in the annual aggregate production of capital.*

Civilization is a process of growth, and growth is slow and cannot be unduly forced. In time growth will force its way through obstacles or die. The action of the privileged few upon society in industrial affairs has been somewhat analogous to that of the first skin of the caterpillar upon that creature. The caterpillar in due course of development becomes too large for its first skin. What was once a useful envelope, keeping the internal organism together and assisting in the creature's development, becomes no longer adapted for its former use, and internal pressure at length removes what has become an obstruction to further growth. The time seems to have come in our industrial life when a change is imperative. The pressure of the masses must burst through the control of the few, who are becoming impediments to further industrial growth. The productive power of the masses has become too great under modern inventions to be controlled and kept under by the higher classes; and congestions of production are beginning to show symptoms which threaten the destruction of the whole construction of society, if they continue to increase in force.

Landowners, consol holders, the idle classes, and others, together with large employers, who come under the category of "gentry," comprise about one-thirtieth of the entire population; and one-fourth † of the whole annual produce (capital) falls to their share. That they have promoted production to the amount of one-fourth of the gross total, flattery will scarcely dare pretend, as it will be too palpable an outrage to common sense. The current theory that production is essentially dependent upon capital, the saving of the past, I believe will shortly be an

* See note, p. 111.

† Page 114.

exploded theory. So far, then, as this class does not directly or indirectly, either physically, intellectually, or morally assist in the production of the vast amount of capital which, under existing arrangements, falls to their share, they are mere parasites; and society derives no special benefit from the capital being appropriated by them, but, on the contrary, it would be far more usefully employed distributed elsewhere, for then, instead of glutting the markets, there would be an opportunity of its functions being performed, viz. facilitating the exchange of the products of labour.

For the evil influence of the idle gentry is not confined to the mere depredations arising from their consumption; they enormously hinder the future production of capital, by causing congestions of capital familiarly known as "glutted markets." This glut consists of commodities for which the few have no use except to exchange, and they are therefore sent to the market for that purpose. By depriving the working classes of this capital, some of which, at all events, should justly have gone to them in the form of increased wages, had they secured a fair value in exchange for their capital (produce of their labour) with the employer for his capital (wages), the working classes are thus deprived of purchasing power.

Hence the wheels of production are scotched to a great extent by "over-production," which does not mean that the commodities upon the market are not wanted, as has already been argued, but that there is a lack of buyers. More is produced of any particular article, under the increased production of modern labour, assisted by ever-improving machinery, than the few who can buy want, they already having as much as they require for use; and the masses who need the surplus commodities thrown upon the market have not the purchasing power to buy. It is the instruments of sale—coin money and credit—which disguise the real facts of the case from general observation. What has already been pointed out

cannot too carefully be borne in mind in the perplexities of the "over-production" problem. Sales,* whether by means of coin money or credit, in their final result resolve themselves into exchange by barter. Money is but a tool to facilitate the exchange of vendible commodities, as vendible commodities in their turn, *when used as capital*, are but tools to facilitate the exchange of the product of labour.

Again, if we add to the gentry the middle classes and traders, statistics show that these three classes comprise one-third of the entire population,† and yet they appropriate two-thirds of the annual capital. This leaves one-third of the annual capital for the working classes, who are twice as numerous as all other classes put together. Supposing the market confined to the United Kingdom, and the working classes only secure in exchange for their capital (the produce of their labour) capital (wages) sufficient to purchase the requisites of existence, the market for all beyond the requisites of existence will be confined to the requirements of one-third of the population, the gentry, middle, and trading classes, and when their wants are supplied the markets are glutted with the surplus. "Over-production" arises, not because the working classes do not require the commodities, but because they have not the requisite purchasing power—capital. The latent energy of the working classes, with modern appliances, is far too vast for so limited a market, and the loss they incur in exchanging their capital (produce of their labour) for employers' capital (wages) deprives them of a great part of their purchasing power, which would quickly right matters. In other words, their wages do not represent the fair value produced by their labour, after the friction of exchange has been allowed for—their wages are not a fair exchange of capital for capital, and justice steps in with "over-production" in vindication of her laws.

* Page 61.

† Page 114.

This state of things not only prevents the masses obtaining the commodities they want, but it throws them out of employment, until the glut of the market is removed by the consumption of the higher and middle classes. Moreover, the evil is on the increase, and employment is becoming more and more difficult. It would be positively an advantage to the working classes if the surplus commodities were destroyed, for in this way the demand of the upper classes would suddenly be increased, and a great demand for labour would be called for. Thus, even if wages were not for a time increased, employment would become more general. The higher and middle classes would still command purchasing power from their rents, interest, and profits, which they would derive, so far as it was not their lawful wage for intellectual or moral energy expended, from the workman's production. There would also be a great demand for workmen, until their production again became too great for the consumption of the upper classes, when the familiar glut of the markets would again appear.

This seems the explanation of the roaring trade both after the Crimean and Franco-German war. And it is because there has been no great destruction of property of late years through a European war, that the depression of trade in this country since 1874—with a partial revival from 1879 to 1882, and another during the present year (1889)—has been realized. Added to this there has been a very potent influence causing the depression in the general foreign protection policy. American mills have been constantly idle for want of trade. This lack of demand has resulted from the so-called over-production, caused by the tariffs practically closing the export market. The suicidal policy of the United States has retained the market for her own 60,000,000 people, and shut herself out from the markets of the world's population of 1,400,000,000, which, if acces-

sible, would have afforded employment both for the Americans and the foreigners who supplied her market.

Modern events have brought into prominence the evil results of the unfair distribution of capital, which will shortly imperatively demand reform. Times were when England, with her accessible iron and coal, had an immense start over continental nations, and for a long time was the market of the world. So long as this was the case, England disposed of her productions, and the distress now arising from glutted markets was unknown. If the workmen did not obtain high wages, the scarcity of employment which now exists was unknown. First America, however, and then all the continental nations began to produce commodities for themselves, instead of buying in the English market, and prevented themselves being undersold by protective duties. At last even India discovered that she possessed in her climate the advantage for the production for cereals that England once possessed in her accessible coal and iron for manufacturing purposes. For these reasons most of England's old customers have become her rivals, and rivals too so formidable, as India, for instance, with wheat, as to threaten to drive her out of the market.

The fine times of England's prosperity, however, are not to be secured by her rivals, at all events by a mere repetition of her particular commercial policy. There are now too many competitors in the field. Competition is everywhere of the keenest, and the telegraph and improved communication generally renders the profits of bygone days impossible. We are told by a writer of the most pessimist type, "In each country manufacturers compete among themselves, while they compete also with their foreign rivals. Constantly improved machinery enables a larger output at less cost to be thrown upon the market, with the obvious effect, now distressing

everybody, of a well-nigh universal glut, and growing cheapness never before witnessed." *

Surely there is no cause to lament the increased facility of production which has been so marked during the last few years. The universal glut, which is likely to increase rather than diminish, unless a great continental war stop for a time a large part of the productive power of Europe, will work its own cure by either ending or mending present industrial arrangements. Industrial life is beginning to feel the evil effects of the congestions of capital in the markets, as, to revert to our former illustration, the caterpillar shows symptoms of distress when its growth begins to press upon the capacity of its skin, which internal pressure must either remove or the death of the insect result. We, who in our boyhood kept silkworms, can remember how sickly they became when a change of skin was being undergone. It was not, however, usually a sickness unto death, but merely the effects of a transformation necessary to the possibility of future growth. A similar sickness at the present time afflicts industrial society. It is not a sickness unto death, we will hope, but simply the preliminary forces at work which will ultimately produce extended markets.

The existing evil will work its own cure, for already there are premonitory symptoms of the employers being hoisted by their own petards, by being gorged to suffocation with their own accumulations. The interest of money is fast beginning to fall, and every year makes the day for any one wishing to retire from business more distant of realization. The large concerns are one by one, at an alarming rate, swallowing up the smaller ones; and the smaller employers are driven from the field, as the chance of profit with a small sale year by year becomes more and more hopeless. This is not only the case with breweries,

* "Service of Man," Preface, p. 8. J. Cotter Morison.

but with manufacturing and commercial enterprises generally, agriculture being the only exception.

So far, this is an advantage to the general consumer, for it lowers the price of commodities, not altogether, I believe, by saving of cost by improved machinery, saving of dead charges, etc., but also by distributing among the consumers what otherwise would fall to the profits of the employer.

I will give an illustration of the manner in which production on a large scale has a tendency to diminish the number of employers, distributing among the consumers the profits of those who are crowded out, by an extract from an American author. Although I cannot agree with the theory of his book in its entirety, there is great novelty in the treatment of his subject, and very much that is suggestive. Like other American economists, his writings are likely to prove of great value to English readers, from the fact of their being altogether out of the conventional ruts of English economists. The work is written, however, from a very one-sided point of view. The author actually discusses the relations of labour and capital, and deliberately leaves out of the inquiry the whole effects of the American tariff upon the workmen. Mr. Gunton, in "Wealth and Progress," p. 81, writes as follows: "Suppose, for example, that A, B, C, and D supplied a given market with shoes of a certain quality; and suppose, also, that A, with the capital, tools, etc., at his command, can barely make these shoes and get his own back at one dollar a pair, and that B, C, and D, through larger capital, superior machinery, favourable location, or any other cause, can furnish the same grade of shoes at ninety-five, ninety, and eighty-five cents a pair respectively. Now, it is very clear that A must sell his shoes at one dollar a pair or leave the business. If A can sell his shoes at one dollar a pair, there is no economic force to prevent B, C, and D from selling theirs at the same price. True, they could afford to sell

theirs at less than A, but as they have nothing to gain, and five, ten, and fifteen cents a pair respectively to lose by so doing, they cannot be expected to do so. In fact, they will not do so as long as they can sell their whole product at one dollar a pair.

“Suppose, however, D, seeing that by increasing his sales one-fourth he could enlarge his factory or put in improved machinery, and in this way be able to produce the shoes two and a half cents a pair cheaper, actually increase his aggregate profits, and sell the shoes five cents a pair lower, and, in order to undersell his competitors and accomplish this object, he should reduce the price of his shoes to ninety-five cents a pair? Now, other things being equal, people will not give one dollar a pair for shoes when they can get them for ninety-five cents; therefore, in order to sell their shoes, C, B, and A must compete with D and reduce the price. As C and B had ten and five cents a pair profit respectively, they can afford to do so by lowering their profits; but A, who was getting no profits—his shoes costing one dollar a pair to make them—could make no reduction in price; hence, he is undersold and driven from the market. Now that A is gone, B's product becomes the most expensive portion of the necessary supply. The minimum at which B can make shoes being ninety-five cents a pair, so long as his shoes are needed ninety-five cents a pair must be paid for them; and for the same reason that B, C, and D could sell for a dollar a pair, so long as A's product constituted a part of the necessary supply, C and D can sell at ninety-five cents, and that will therefore be the normal price of the shoes so long as B's product, which is now the most expensive portion of the supply, continues to be required. This is what is constantly taking place in every open market in the world.

“This law, which is fully explained elsewhere, affords an adequate explanation of the constant

tendency of prices of a given commodity towards a common level; the great difference of profits in the same industry; the losses, failures, and bankruptcies; the constant tendency towards the concentration of capital into large enterprises, and the consequent crowding out of small ones, with other familiar phenomena in the world of prices and profits, that are inexplicable upon any other theory."

So far this does not clash with the argument of a previous chapter in this book on profits, and seems to show that lower prices, other things being equal, distribute among the consumers what otherwise would fall to the profits of employers, while at the same time it has the effect of driving the smaller employers from the field, thus concentrating production more and more in large concerns.

Now, if, as I understand Mr. Gunton to assume, wages necessarily permanently increased with the fall of prices, the natural course of events would gradually remove the present congestions of the market by conferring additional purchasing power upon the working classes. That it does temporarily raise wages we may admit, for although the money wages may not be increased, yet if the purchasing power of money is enlarged, so that what formerly could be purchased for 20s. can be bought for 15s., practically the real wages of the workmen are increased.

But as I have pointed out in my work "Capital and Wages," in arguing against Mr. Macleod's theory of rapid sales and extraordinary profits, it does not necessarily follow, however great the demand for a commodity may become, that the wages of the workman will either be permanently raised or even remain on the same level. With an increased production in a large business, the aggregate wages paid to the workmen will no doubt be greater; but then the very necessities of the case will involve an increase in the number of workmen, of whom the number out of employment will afford an unlimited supply. It is

impossible for a workman to work above a limited number of hours. The hours are already too long for those who are in regular work, and anything like permanent overtime means speedy exhaustion.

But in a large concern that has engulfed some half-dozen smaller ones and obtained their business, although some additional workmen will be necessary, it does not follow that the whole of the workmen formerly engaged in the six enterprises driven out of the market will be required to carry on the extra work of the large concern. Additional and improved machinery may take the place of a considerable number. So that the smaller employers, and a number of their workmen, may be thrown out of occupation. Thus, the aggregate wages in the one large enterprise may be less than the aggregate wages previously paid in the seven of which the one is comprised, for machinery will probably have displaced some of the workmen.

Are the wages of the workmen in the large concern by any means certain to remain upon their level? I believe not. The great employer will probably be making a rapid fortune. Where the carcass is, there will the vultures be gathered together, and the same is true as to the gathering of employers where profits are imagined to be realized. Large profits are scented from afar, and bring a host of employers into competition. Where private individuals would hesitate, limited liability companies are ever ready. A fight for existence is the result, and instead of wages increasing, under the increasing competition of the unemployed for work, wages at most have barely kept their level, and in the majority of cases have fallen during the last few years. Especially will this be seen to have been the case, when allowance has been made for the workman being frequently out of employment, through being compelled to work short time.

Thus the increased facility of production is sending

more and more capital upon the market, which the capital—purchasing power—of the masses is totally inadequate to remove. Unless, therefore, foreign markets, which foreign competition and protective duties are fast closing against us, take off the capital, the home markets depend to a very large extent upon the capital of the masses—their purchasing power received in wages. The purchasing power in the market not being sufficient to remove the congestions of capital, the glut of the markets is affecting all classes. The higher classes are experiencing a fall in rents, interest, and profits, while the position of the masses in full employment improves but little; work is becoming scarce, and the number of the unemployed is increasing. This state of affairs is enormously affecting the productive capacity of the community. There are hundreds of thousands in all classes of society who would gladly be productively occupied, if they could find employment. Capital could unquestionably be enormously increased, if the stagnation of the markets could be overcome, and the produce so sold.

Is this constant process of aggregating the smaller concerns into larger ones likely to continue? Probably not. The discoveries of science seem destined to deliver the masses from the monotony and curse of factory life. Instead of large engines in vast buildings crowded with operatives, it is possible that in the future much of the work may be done in subdivisions, by a number of small machines set up and "run" in private houses. Electricity may supply the motor power, while a network of telephones affords ample means of communication. After central stations have been established, the requisite power may be carried by wires to each man's house, affording by day the necessary force for all kinds of manufacture, while by night the electric currents, running down the streets, illuminate the towns or villages. The artisan will then be enabled to have a home life, and work for

himself as a free man. In the words of Werner Siemens, "The goal of the revolution of science will not be a man of great factories in the hands of rich capitalists, in which the 'slaves of labour' drag out their monotonous existence, but the return to individual labour."

The land monopoly, the right of inheritance, and the unlimited power of bequest in vogue, have largely induced existing evils. A misconception of the functions of capital has been one great cause of the existence of the evils from which we are now suffering. It has hitherto been supposed that production is dependent upon capital, the saving of the past, and under this misconception the higher classes have been permitted to flourish to a very large extent upon the productions of the lower, and they still do so. Their proprietary rights are instruments used to secure them no small portion of the production of the masses. These proprietary rights, so far as they have been earned by their possessors, represent labour performed, for which any rent or interest is but an equitable reward for a service rendered to society. They have increased the production of society, and are justly entitled to the share of the produce they have created. But inheritance and bequest confer upon drones a power of levying blackmail upon the annual production of the masses, without in any way necessarily guaranteeing any *real* service in return. They inherit proprietary rights which practically enable them to prevent production, until the workmen, indirectly, through a network of complexities which hides the unfairness of the bargain from them, consent to exchange a portion of the produce of their labour for the bare right of the possibility of working. So far from society deriving any benefit from these drones, it is wofully impoverished by them.

It has already been pointed out* that the popular

* Cf. § 4, chap. X.

idea that the rich do not spend all their income upon their personal gratification, but devote the great bulk of it to productive purposes through the agency of their bankers, etc., and so benefit society, is mere illusion, produced by the intervention of money disguising the real facts of the case. If they did not so devote it to commercial production some one else would. Whether the rents are used to buy commodities for consumption or are used to invest, they only perform the function of all capital. The capital accruing from rent would perform similar functions, whether it fell to the farmer as profits, or to the workman's share as extra wages, or to the landlord as rent, if it was used as capital at all, which the bulk of it necessarily would be—*must be*, if put to any use at all. And it is the same with interest and profits. The social benefactor is the one who makes the wisest use of the capital that falls to his distribution: first, as a means of bringing him by exchange possessions for perfecting the functions of his own life; and then of giving him the widest possible helpful influence, both personal and by means of his possessions, over the lives of others.

The time has come when a gradual change will have to be made in our industrial system, and, in fact, in the industrial system of the world, for glutted markets are becoming more and more common everywhere through the unequal distributions of capital, while the angry murmurs of the millions are becoming plainly audible. The cure seems to lie in the abolition of monopolies, which in their practical effect hinder the workmen from obtaining anything like the real value of their labour, the monopolists appropriating no small share, while there is no guarantee that they afford society any real benefit in return. If the masses obtained wages proportional to their real share in creative production, their purchasing power would be enlarged. The higher classes should also receive their just wages,

which, whether in the form of rents, interest, profits, or otherwise, would be of the nature of wages, if a real service were afforded to society. Thus capital would be more evenly distributed among its producers, and, if properly balanced, would quickly clear off the congestions of capital, which in turn would give an immense impetus to the further production of capital by opening out employment for all.

That affairs are going to adjust themselves at once is of course impossible. The change must be a process of growth. Ten years may make a perceptible improvement for the better, which will be more apparent in half a century; and probably a century or two may elapse before there is sufficient to satisfy the primary wants of all, for such necessities as wholesome food, ample clothing, and healthy habitations with their appliances, together with a secure provision, probably by a system of insurance in youth, for sustenance in something like comfort in old age, or in case of accident. The removal of the dread of abject poverty may be expected to have a wonderful influence in curbing the present selfishness and greed, which, like a panic in a theatre on fire, defeats the aims of its victims, by causing them to neglect all other claims except the central one of self-preservation.

Paradoxical though it may seem, one of the great means of increasing the production of capital in the future will probably be a considerable reduction in the hours of labour. Man's direct muscular power is an insignificant factor in production. It has already been superseded to a large extent by natural forces—steam, electricity, etc. Unlimited force seems at man's call. It is upon his intellectual and moral capacities that his progress will in future depend. The reduction of labour to eight hours a day, and eventually perhaps to six, might be expected to vastly increase the productive power of the masses, if the muscular force set at liberty was directed to their intellectual culture, instead of being exhausted, as

now, in mere physical exertion, in a direction where the forces of nature would be infinitely more efficient. Of course the reduction of the hours of labour would have to be gradually introduced, according to the capacity of the workmen to wisely use their leisure.

What! reduce the hours of labour in the face of modern competition? it will be asked, with not a little scorn. Precisely for that reason, among others, I reply. Is slavery economically possible in modern civilization, where the master would have unlimited control over the victim of his tyranny? No; for free labour is more efficient, and would drive it hopelessly to the market. And it looks as if glutted markets are to teach us that the industrial slavery of the masses under existing arrangements must give place to juster distribution. As we look back upon the past, we gain hope from the history of labour. For the reduction of the hours of labour is no untried experiment, and both economical and social advantages have proved to result. What has been the result of our factory legislation? The English workman works fewer hours per diem than the workmen either of the Continent or America, and English labour is pre-eminent in efficiency. In the words of an American economist, "In England the hours of labour are shorter and the wages higher than in any country in Europe; and the increase in the use of capital and the production of wealth *per capita* is greater than any country in the world. Instead of English products being undersold by those of the long-hour and low-paid continental labourers, it is to protect themselves against the competition of the products of the nine and a half hour labourers of England that the high tariffs are imposed in every country on the Continent, and in this country as well. *We* are not afraid to compete with the products of the thirteen or sixteen-hour labour of Russia, Austria, and Italy, but it is the products of England where the hours of labour are the least of those of any

country in the world, that we are most anxious to exclude."* "With wages 84 per cent. higher in England than the average for the whole of the Continent, the general cost of production in this country is at least 30 per cent. less. . . . The explanation of this is, that the use of steam machinery in this country is 117 per cent. greater than on the Continent. If we are to continue this prosperity it must be by raising the amount of the labour of quality, which can only be done by giving to workers a trained intelligence in regard to their work." †

In conclusion, a summary of the reforms which appear to press for consideration will now be given.

1. The abolition of the land monopoly, together with the obstructions to the transfer of land, which should be made as simple as the transfer of consols. A reform in the land laws, in the direction of the French system of compulsory division at death, would be more likely to meet the requirements of the present state of social development than "the nationalization of the land." The land might then become the great resource of unskilled labour, where opportunity would be open for the unemployed to produce capital by their labour. The depopulated country districts might so become a hive of industry, as circumstances gradually reintroduced the local markets, a necessity of small holdings. Not only might the influx to the towns be expected to stop, but emigration from the towns to the country would commence. Under efficient local government, with the reform of the land laws, a healthy habitation might be within the reach of all. Righteousness in mankind is only in embryo, and no government is anything like sufficiently developed in morality to render either "the nationalization of the land" or the dreams of the socialists practicable. With the

* "Wealth and Progress," p. 271. Gunton.

† "Subjects of Social Welfare," p. 120. Lyon Playfair.

present standard of morals, existing evils would but be exchanged for an anarchy of thieves which would ultimately result in the despotism of the strongest.

2. The laws of inheritance and bequest should be reformed, so as to prevent the acquisition of large fortunes, either in land or any other property, by those who have not earned them. The probate and succession duties might also be largely increased, as an equitable means of enriching the imperial exchequer. They who come into property they have not earned, *whereby they acquire a charge upon the annual produce*, might thus be made to contribute largely to the taxes, which somebody must pay, and which now fall in unfair proportion upon the toilers of society. Part of the funds arising from this source might be set aside by Government to form a fund which, with premiums paid by all workmen between the ages of twenty and sixty years of age, might secure pensions for all over sixty years of age. A progressive income-tax might also be imposed, so as to render the accumulation of a colossal fortune in a lifetime prohibitory. There are also special reasons why ground-rents should be taxed.

3. The education of all classes should be a matter of national concern, and this not only of the working classes, but of all classes, especially of the middle, which is now in a deplorable state of inefficiency. Science and technical education should largely replace the classics.

4. A digest of the laws of England. "The present state of the law of England, scattered through many hundreds of volumes of statutes and cases, filled with the most extraordinary contradictions and absurdities, is a scandal to a civilized empire, and calls loudly for redress." *

* "Principles of Economical Philosophy," vol. ii. p. 169.

APPENDIX.

LIST OF PRINCIPAL MODERN ECONOMIC AND KINDRED LITERATURE.

- ARNOLD, A., "Free Land."
Bagehot, W., "Economic Studies;" "Lombard Street."
Barnet, Rev. and Mrs., "Practicable Socialism."
Birkbeck, W. L., "The Distribution of Land in England."
Bonar, J., "Malthus and his Work."
Brassey, T., "Work and Wages."
Brodrick, G. C., "English Land and English Landlords."
Caird, J., "The Landed Interest."
Cairnes, J. E., "Some Leading Principles of Political Economy."
Cannan, E., "Elementary Political Economy."
Comte, A., "System of Positive Polity," 4 vols.
Craig, E. T., "History of Ralahine."
Cunningham, W., "Politics and Economics."
Devas, C. S., "Groundwork of Economics."
Donisthorpe, W., "Principles of Plutology."
Farrer, T. H., "Free Trade *versus* Fair Trade."
Fawcett, H., "Free Trade and Protection;" "A Manual of Political Economy."
Fowle, T. W., "The Poor Law."
Freeman, E. A., "Growth of the English Constitution."
Giffen, R., "Essays in Finance."
Gilbart, J. W., "On Banking."
Gonner, E. C. K., "Political Economy."
Green, J. R., "A Short History of the English People."
Hallam, "History of England," 3 vols.; "Europe during the Middle Ages."
Hearn, W. E., "Plutology."
Howell, G., "The Conflicts of Labour and Capital."
Illingworth, T., "Distribution Reform."

- Ingram, J. K., "History of Political Economy."
- Jevons, W. S., "Theory of Political Economy;" "Money;" "The State in Relation to Labour."
- Kay, J., "Free Trade in Land."
- Leslie, T. E. Cliffe, "Essays on Political and Moral Philosophy."
- Levi, L., "Wages and Earnings of the Working Classes."
- McCulloch, J. R. M., "Principles of Political Economy."
- Macleod, H. D., "Principles of Economical Philosophy," 2 vols. (Last Edition called "Elements of Economics"); "Theory and Practice of Banking," 2 vols.; "Theory of Credit," vol. i.
- Maine, H. S., "Popular Government;" "Early Law and Custom;" "Early History of Institutions;" "Village Communities."
- Malthus, T. R., "Principle of Population."
- Marshall, A. and M. P., "The Economics of Industry."
- May, Sir T. Erskine, "Democracy in Europe," 2 vols.
- Mills, H. V., "Poverty and the State."
- Mills, J. S., "Principles of Political Economy," 2 vols.
- Minton, F., "Capital and Wages."
- Mongredien, A., "Wealth Creation."
- Moxon, T. B., "Banking."
- Mulhall, M. G., "Progress of the World;" "Dictionary of Statistics;" "Balance Sheet of the World, 1870-1880;" "History of Prices."
- Playfair, Lyon, "Subjects of Social Welfare."
- Pollock, F., "The Land Laws."
- Price, B., "Practical Political Economy."
- Price, L. L. F. K., "The Industrial Peace."
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