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THE SCIENCE OF POLITICAL ECONOMY

But let none expect any great promotion

of the sciences, especially in their effective

part, unless natural philosophy be drawn

ont to particular sciences ; and again unless

these particular sciences be brought back

again to natural philosophy. From this de-

fect it is that astronomy, optics, music,

many mechanical arts, and what seems

stranger, even moral and civil philosophy

and logic, rise but little above their founda-

tions, and only skim over the varieties and

surface of things, viz., because after these

particular sciences are formed and divided

off they are no longer nourished by natural

philosophy, which might give them strength

and increase ; and therefore no wonder if

the sciences thrive not when separated

from their roots.— Bacon, Novum Organum.

fty yyAr, trt.ty.Mr \*&<+\*

THE SCIENCE

OP

POLITICAL ECONOMY

BY

HENRY GEORGE

Author of "Progrewmnd Poverty," "Protection or Free Trade!" "Social Problem\*,"

" A Perplexed Philosopher," " The Condition of Labor," -The Lend

Qneetton," " Property in Land," etc.

NEW YORK

DOUBLEDAY & McCLTJEB CO.

1898

Copyright, 1897, by

Annie C. George

Take, since yon bade it should bear,

These, of the seed of your sowing-

Blossom or berry or weed.

Sweet though they be not, or fair,

That the dew of your word kept growing ;

Sweet at least was the seed.

—Swinburne to Maeeini.

TO

AUGUST LEWIS OF NEW YORK

AMD

TOM L. JOHNSON OF CLEVELAND, OHIO,

WHO, OP THEIR OWN MOTION, AND WITHOUT SUGGESTION OR

THOUGHT OF MINE, HAVE HELPED ME TO THE

LtEZSUKE NEEDED TO WRITE IT, I AFFEC-

TIONATELY DEDICATE WHAT IN

THIS SENSE IS THEIR

WORK

1

PREFATORY NOTE.

FT1HIS work, begun in 1891, after returning from a

I lecturing tour through Australia and a trip around

the world, grew out of the author's long-cherished purpose

to write a small text-book, which should present in brief

the principles of a true political economy. This " Primer

of Political Economy" was to set forth in direct, didactic

form the main principles of what he conceived to be an

exact and indisputable science, leaving controversy for a

later and larger work.

Before proceeding far, however, the author realized the

difficulty of making a simple statement of principles while

there existed so much confusion as to the meaning of

terms. He therefore felt impelled to change his plan, and

first to present the larger work, which should recast polit-

ical economy and examine and explicate terminology as

well as principles ; and which, beginning at the beginning,

should trace the rise and partial development of the science

in the hands of its founders a century ago, and then show

its gradual emasculation and at last abandonment by its

professed teachers— accompanying this with an account of

the extension of the science outside and independently of

the schools, in the philosophy of the natural order now

spreading over the world under the name of the single tax.

Soon after this work had got well under way the author

laid it aside to write a brochure in reply to a papal encyc-

lical (" The Condition of Labor," 1891), and again later

vi PREFATORY NOTE.

to write a book exposing Mr. Herbert Spencer's recantation

of principles on the land question (" A Perplexed Philoso-

pher, 1 ' 1892). Save for these interruptions, and occasional

newspaper and magazine writing, and lecturing and polit-

ical speaking, he devoted himself continuously to his great

undertaking until he entered the mayoralty campaign,

toward the close of which death came, October 29, 1897.

" The Science of Political Economy," if entirely finished

as planned by the author, would have shown Book V., on

Money, extended, and the nature and function of the laws

of Wages, Interest and Bent fully considered in Book IV. ;

but the work as left was, in the opinion of its author,

in its main essentials completed, the broken parts, to quote

his own words a few days before his death, "indicating

the direction in which my [his] thought was tending."

The author's preface is fragmentary. It bears in the

manuscript a penciled date, "March 7, 1894," and is here

transcribed from a condensed writing used by him in his

preliminary "roughing-out" work.

Aside from the filling in of summaries in four chapter

headings (indicated by foot-notes), the addition of an

index, and the correction of a few obvious clerical errors,

the work is here presented exactly as it was left by the

author— the desire of those closest to him being that it

should be given to the world untouched by any other

hand.

Heney George, Jr.

New Tore, February 1, 1898.

PREFACE.

IN "Progress and Poverty » I recast political economy

in what were at the time the points which most needed

recasting. Criticism has bnt shown the soundness of the

views there expressed.

But "Progress and Poverty n did not cover the whole

field of political economy, and was necessarily in large

measure of a controversial rather than of a constructive

nature. To do more than this was at the time beyond the

leisure at my command. Nor did I see fully the necessity.

For while I realized the greatness of the forces which

would throw themselves against the simple truth which

I endeavored to make clear, I did think that should

"Progress and Poverty" succeed in commanding anything

like wide attention there would be at least some of the

professed teachers of political economy who, recognizing

the ignored truths which I had endeavored to make clear,

would fit them in with what of truth was already under-

stood and taught.

The years which have elapsed since the publication of

"Progress and Poverty n have been on my part devoted

to the propagation of the truths taught in " Progress and

Poverty" by books, pamphlets, magazine articles, news-

paper work, lectures and speeches, and have been so

greatly successful as not only far to exceed what fifteen

years ago I could have dared to look forward to in this

time, but to have given me reason to feel that of all the

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men of whom I have ever heard who have attempted any-

thing like so great a work against anything like so great

odds, I have been in the result of the endeavor to arouse

thought most favored.

Not merely wherever the English tongue is spoken, but

in all parts of the world, men are arising who will carry

forward to final triumph the great movement which " Prog-

ress and Poverty" began. The great work is not done,

but it is commenced, and can never go back.

On the night on which I finished the final chapter of

"Progress and Poverty" I felt that the talent intrusted

to me had been accounted for— felt more fully satisfied,

more deeply grateful than if all the kingdoms of the earth

had been laid at my feet ; and though the years have jus-

tified, not dimmed, my faith, there is still left for me

something to do.

But this reconstruction of political economy has not

been done. So I have thought it the most useful thing I

could do to drop as far as I could the work of propaganda

and the practical carrying forward of the movement to

do this.

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For tho' the Giant Ages heave the hill

And break the shore, and evermore

Make and break, and work their will ;

Tho 7 world on world in myriad myriads roll

Bound us, each with different powers

And other forms of life than ours,

What know we greater than the soulf

—Tennyson.

-?■ rax

UNIVERSITY

GENEKAL INTEODUCTION.

REASON OF THIS WORE.

I SHALL try in this work to put in clear and systematic

form the main principles of political economy.

The place I would take is not that of a teacher, who

states what is to be believed, but rather that of a guide,

who points out what by looking is to be seen. So far from

asking the reader blindly to follow me, I would urge him

to accept no statement that he himself can doubt, and to

adopt no conclusion untested by his own reason.

This I say, not in unfelt deprecation of myself nor in <

idle compliment to the reader, but because of the nature

and present condition of political economy.

Of all the sciences, political economy is that which to

civilized men of to-day is of most practical importance.

For it is the science which treats of the nature of wealth

and the laws of its production and distribution ; that is to

say, of matters which absorb the larger part of the thought

and effort of the vast majority of us— the getting of a liv-

ing. It includes in its domain the greater part of those

vexed questions which lie at the bottom of our politics and

legislation, of our social and governmental theories, and

even, in larger measure than may at first be supposed, of

our philosophies and religions. It is the science to which

must belong the solving of problems that at the close of a

century of the greatest material and scientific development

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the world has yet seen, are in all civilized countries clouding

the horizon of the future— the only science that can enable

our civilization to escape already threatening catastrophe.

Yet, surpassing in its practical importance as political

economy is, he who to-day would form clear and sure ideas

of what it really teaches must form them for himself. For

there is no body of accepted truth, no consensus of recog-

nized authority, that he may without question accept In

all other branches of knowledge properly called science the

inquirer may find certain fundamentals recognized by all

and disputed by none who profess it, which he may safely

take to embody the information and experience of his time.

But, despite its long cultivation and the multitude of its

professors, he cannot yet find this in political economy.

If he accepts the teaching of one writer or one school, it

will be to find it denied by other writers and other schools.

This is not merely true of the more complex and delicate

questions, but of primary questions. Even on matters

such as in other sciences have long since been settled, he

' who to-day looks for the guidance of general acceptance

in political economy will find a chaos of discordant opin-

ions. So far indeed are first principles from being agreed

on, that it is still a matter of hot dispute whether protec-

tion or free trade is most conducive to prosperity— a ques-

tion that in political economy ought to be capable of as

certain an answer as in hydrodynamics the question

whether a ship ought to be broader than she is long, or

longer than she is broad.

This is not for want of what passes for systematic study.

Not only are no subjects so widely and frequently discussed

as those that come within the province of political economy,

but every university and college has now its professor

of the science, whose special business it is to study and

to teach it. But nowhere are inadequacy and confusion

more apparent than in the writings of these men ; nor is

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anything so likely to give the impression that there is not

and cannot be a real science of political economy.

Bat while this discordance shows that he who would

really acquaint himself with political economy cannot rely

upon authority, there is in it nothing to discourage the

hope that he who will use his own reason in the honest

search for truth may attain firm and clear conclusions.

For in the supreme practical importance of political

economy we may see the reason that has kept and still

keeps it in dispute, and that has prevented the growth of

any body of accepted and assured opinion.

Under existing conditions in the civilized world, the

great struggle among men is for the possession of wealth.

Would it not then be irrational to expect that the science

which treats of the production and distribution of wealth

should be exempt from the influence of that struggle\*-

Macaulay has well said that if any large pecuniary interest

were concerned in disputing the attraction of gravitation,

that most obvious of all facts would not yet be accepted.

What, then, can we look for in the teaching of a science

which directly concerns the most powerful of "vested

rights"— which deals with rent and wages and interest,

with taxes and tariffs, with privileges and franchises and

subsidies, with currencies and land-tenures and public

debts, with the ideas on which trade-unions are based and

the pleas by which combinations of capitalists are de-

fended f Economic truth, under existing conditions, has

not merely to overcome the inertia of indolence or habit ;

it is in its very nature subject to suppressions and distor-

tions from the influence of the most powerful and vigilant

interests. It has not merely to make its way ; it must con-

stantly stand on guard. It cannot safely be trusted to any

selected body of men, for the same reasons that the power

of making laws and administering public affairs cannot be

so trusted.

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It is especially true to-day that all large political ques-

tions are at bottom economic questions. There is thus in-

troduced into the study of political economy the sam<

disturbing element that setting men by the ears over the

study of theology has written in blood a long page in the

world's history, and that at one time, at least, so affected

even the study of astronomy as to prevent the authori-

tative recognition of the earth's movement around the

sun long after its demonstration. The organization of

political parties, the pride of place and power that they

arouse and the strong prejudices they kindle, are always

inimical to the search for truth and to the acceptance of

truth.

And while colleges and universities and similar institu-

tions, though ostensibly organized for careful investigation

and the honest promulgation of truth, are not and cannot

be exempt from the influences that disturb the study of

political economy, they are especially precluded under

present conditions from faithful and adequate treatment

of that science. For in the present social conditions of

the civilized world nothing is clearer than that there is

some deep and wide-spread wrong in the distribution, if

not in the production, of wealth. This it is the office of

political economy to disclose, and a really faithful and

honest explication of the science must disclose it.

But no matter what that injustice may be, colleges and

universities, as at present constituted, are by the very law

of their being precluded from discovering or revealing it.

For no matter what be the nature of this injustice, the

wealthy class must, relatively at least, profit by it, and this

is the class whose views and wishes dominate in colleges

and universities. As, while slavery was yet strong, we

might have looked in vain to the colleges and universities

and accredited organs of education and opinion in our

Southern States, and indeed for that matter in the North,

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for any admission of its injustice, so under present condi-

tions must we look in vain to such sources for any faithful

treatment of political economy. Whoever accepts from

them a chair of political economy must do so under the

implied stipulation that he shall not really find what it is

his professional business to look for\*

In these extraneous difficulties, and not in any difficulty

inherent in political economy itself, lies the reason why,

to-day, after all the effort that since Adam Smith wrote has

been devoted to its investigation, or presumed investiga-

tion, he who would really know what it teaches can find

no consistent body of undisputed doctrine that he may

safely accept ; and can turn to the colleges and universities

only with the certainty that, wherever else he may find the

truth, he cannot find it there.

Yet, if political economy be the one science that cannot

safely be left to specialists, the one science of which it is

needful for all to know something, it is also the science

which the ordinary man may most easily study. It re-

quires no tools, no apparatus, no special learning. The

phenomena which it investigates need not be sought for

in laboratories or libraries ; they lie about us, and are con-

stantly thrust upon us. The principles on which it builds

are truths of which we all are conscious, and on which in

every-day matters we constantly base our reasoning and

our actions. And its processes, which consist mainly in

analysis, require only care in distinguishing what is essen-

tial from what is merely accidental.

In proposing to my readers to go with me in an attempt

to work out the main principles of political economy, I am

not asking them to think of matters they have never

thought of before, but merely to think of them in a careful

\* On this subject, Adam Smith's opinion of colleges and universi-

ties (Article II., Part HI., Chapter I., Book V., " Wealth of Nations ")

may still be read with much advantage.

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and systematic way. For we all have some sort of political

economy. Men may honestly confess an ignorance of

astronomy, of chemistry, of geology, of philology, and

really feel their ignorance. Bat few men honestly confess

an ignorance of political economy. Though they may

admit or even proclaim ignorance, they do not really

feel it. There are many who say that they know nothing

of political economy— many indeed who do not know what

the term means. Yet these very men hold at the same

time and with the utmost confidence opinions upon matters

that belong to political economy, such as the causes which

affect wages and prices and profits, the effects of tariffs,

the influence of labor-saving machinery, the function and

proper substance of money, the reason of " hard times " or

" good times," and so on. For men living in society, which

is the natural way for men to live, must have some sort of

politico-economic theories— good or bad, right or wrong.

The way to make sure that these theories are correct, or

if they are not correct, to supplant them by true theories,

is by such systematic and careful investigation as in this

work I propose.

But to such an investigation there is one thing so neces-

sary, one thing of such primary and constant importance,

that I cannot too soon and too strongly urge it upon the

reader. It is, that in attempting the study of political

economy we should first of all, and at every step, make

sure of the meaning of the words that we use as its terms,

• so that when we use them they shall always have for us

the same meaning.

Words are the signs or tokens by which in speech or

writing we communicate our thoughts to one another. It

is only as we attach a common meaning to words that we

can communicate with one another by speech. And to

understand one another with precision, it is necessary that

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each attach precisely the same meaning to the same word.

Thus, two men may look on the ocean from the same place,

and one honestly insist that there are three ships in sight,

while the other as honestly insists that there are only two,

if the one uses the word ship in its general meaning of

navigable vessel, and the other uses it in its technical

meaning of a vessel carrying three square-rigged masts.

Such use of words in somewhat different senses is pecu-

liarly dangerous in philosophic discussion.

But words are more than the means by which we com-

municate our thoughts. They are also signs or tokens in

which we ourselves think—the labels of the thought-

drawers or pigeonholes in which we stow away the various

ideas that we often mentally deal with by label Thus, we

cannot think with precision unless in our own minds

we use words with precision. Failure to do this is a

great cause of the generation and persistence of economic

fallacies.

In all studies it is important that we should attach defi-

nite meanings to the terms we use. But this is especially

important in political economy. For in other studies most

of the words used as terms are peculiar to that study. The

terms used in chemistry, for instance, are used only in

chemistry. This makes the study of chemistry harder in

beginning, for the student has to familiarize himself with

new words. But it avoids subsequent difficulties, for these

words being used only in chemistry, their meaning is not

likely to be warped by other use from the one definite

sense they properly bear in chemistry.

Now the terms used in political economy are not words

reserved to it. They are words in every-day use, which

the necessities of daily life constantly require us to give to,

and accept for, a different than the economic meaning.

In studying political economy, in thinking out any of its

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problems, it is absolutely necessary to give to such terms

as wealth, value, capital, land, labor, rent, interest, wages,

money, and so on, a precise meaning; and to use them

only in this— a meaning which always differs, and in some

cases differs widely, from the common meaning. But not

only have we all been accustomed in the first place to use

these words in their common meanings ; but even after we

have given them as politico-economic terms a definite

meaning, we must, in ordinary talk and reading continue

to use and accept them in their ordinary sense.

Hence arises in political economy a liability to confusion

in thought from lack of definiteness in the use of terms.

The careless as to terms cannot take a step without falling

into this confusion, and even the usually careful are liable

to fall into confusion if at any moment they relax their

vigilance. The most eminent writers on political economy

have given examples of this, confusing themselves as well

as their readers by the vague use of a term. To guard

against this danger it is necessary to be careful in begin-

ning, and continuously to be careful. I shall therefore in

this work try to define each term as it arises, and there-

after, when using it as an economic term, try to use it in

that precise sense, and in no other.

To define a word is to mark off what it includes from

what it does not include— to make it in our minds, as it

were, clear and sharp on its edges— so that it will always

stand for the same thing or things, not at one time mean

more and at another time less.

Thus, beginning at the beginnings, let us consider the

nature and scope of political economy, that we may see its

origin and meaning, what it includes and what it does not

include. If in this I ask the reader to go with me deeper

than writers on political economy usually do, let him not

think me wandering from the subject. He who would

build a towering structure of brick and stone, that in stress

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and strain -will stand firm and plumb, digs for its founda-

tion to solid rock.

Should we grudge such pains in laying the foundations

of a great science, on which in its superstructure so much

must rest?

In nothing more than in philosophy is it wise that we

should be "like a man which built an house, and digged

deep, and laid the foundation on a rock."

BOOK L

THE MEANING OF POLITICAL ECONOMY

Though bat an atom midst immensity,

Still I am something, fashioned by Thy hand !

I hold a middle rank 'twixt heaven and earth-

On the last verge of mortal being stand

Close to the realms where angels have their birth,

Just on the boundaries of the spirit-land !

The chain of being is complete in me—

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THE earliest, and as I think sufficient, definition of

Political Econom7 y is, the science that treats of the

nature of wealth, and of the laws of its production and

distribution. But as this definition seems never to have

been fully understood and adhered to by the accepted

teachers of political economy, and has during late years

been abandoned by those who occupy the position of of-

ficial teachers in all our leading colleges and universities,

let us, beginning at the beginnings, endeavor to see for

ourselves just what political economy is.

CHAPTER I.

, THE THREE FACTORS OP THE WORLD.

SHOWING THE CONSTITUENTS OF ALL WE PERCEIVE.

Meaning of factor; and of philosophy; and of the world— What we

call spirit— What we call matter— What we call energy— Though

these three may be at bottom one, we must separate them in

thought— Priority of spirit.

r\E word factor, in commercial use, means one who

acts as agent for another. In mathematical use, it

means one of the quantities which multiplied together form

a product. Hence in philosophy, which may be defined as

the search for the nature and relations of things, the word

factor affords a fit term for the elements which bring

about a result, or the categories into which analysis enables

us to classify these elements.

In the world— I use the term in its philosophic sense of

the aggregate or system of. things of which we are cog-

nizant and of which we ottfselves are part— we are enabled

by analysis to distinguish three elements or factors :

1. That which feels, perceives, thinks, wills; which to

distinguish, we call mind or soul or spirit.

2. That which has a mass or weight, and extension or

form ; which to distinguish, we call matter.

3. That which acting on matter produces movement j

which to distinguish, we call motion or force or energy.

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We cannot, in truth, directly recognize energy apart

from matter ; nor matter without some manifestation of

energy ; nor mind or spirit unconjoined with matter and

motion. For though our own consciousness may testify

to our own essentially spiritual nature, or even at times to

what we take to be direct evidence of pure spiritual exis-

tence, yet consciousness itself begins with us only after

bodily life has already begun, and memory by which alone

we can recall past consciousness is later still in appearing.

It may be that what we call matter is but a form of energy j

and it may perhaps be that what we call energy is but a

manifestation of what we call mind or soul or spirit; and

some have even held that from matter and its inherent

powers all else originates. Yet though they may not be

in fact separable by us, and though it may be that at

bottom they are one, we are compelled in thought to dis-

tinguish these three as independent, separable elements,

which in their actions and reactions make up the world as

it is presented to our perception.

Of these from our standpoint, that which feels, perceives,

thinks, wills, comes first in order of priority, for it is this

which is first in our own consciousness, and it is only

through this that we have consciousness of any other exis-

tence. In this, as our own consciousness testifies, is the

initiative of all our own motions and movements, so far as

consciousness and memory shed light ; and in all cases in

which we can trace the genesis of anything to its begin-

ning we find that beginning in thought and will. So clear,

so indisputable is the priority of this spiritual element that

wherever and whenever men have sought to account for

the origin of the world they have always been driven to

assume a great spirit or God. For though there be athe-

istic theories, they always avoid the question of origin,

and assume the world always to have been.

CHAPTER II.

MAN, HIS PLACE AND POWERS.

SHOWING OUB RELATIONS TO THE GLOBE, AND THE QUALI-

TIES THAT ENABLE US TO EXTEND OUR KNOWLEDGE OF IT

AND OUR POWERS ON IT.

Man's earliest knowledge of his habitat— How that knowledge grows,

and what civilized men now know of it— The essential distinc-

tion between man and other animals— In this lies his power of

producing and improving.

WE awake to consciousness to find ourselves, clothed in

flesh, and in company with other like beings, resting

on what seems to us a plane surface. Above us, when the

clouds do not conceal them, the sun shines by day and the

moon and stars by night. Of what this place is, and of

our relations to it, the first men probably knew little more

than is presented to us in direct consciousness, little more

in fact than the animals know ; and, individually, we our-

selves could know little more. But the observations and

reflections of many succeeding men, garnered and system-

atized, enable us of the modern civilization to know, and

with the eyes of the mind almost to see, things to which the

senses untaught by reason are blind.

By the light of this gathered knowledge we behold our-

selves, the constantly changing tenants of the exterior of

a revolving sphere, circling around a larger and luminous

sphere, the sun, and beset on all sides by depths of space,

to which we can neither find nor conceive of limits.

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Through this immeasurable space revolve myriads of lu-

minous bodies of the nature of our sun, surrounded, it is

confidently inferred from the fact that we know it to be

the case with our sun, by lesser, non-luminous bodies that

have in them their centers of revolution.

Our sun, but one, and far from one of the largest, of

countless similar orbs, is the center of light and heat and

revolution to eight principal satellites (having in their

turn satellites of their own), as well as to an indefinite

number of more minute bodies known to us as asteroids

and of more erratic bodies called comets. Of the princi-

pal satellites of the sun, the third in point of distance from

it, and the fourth in point of size, is our earth. It is in

constant movement around the sun, and in constant revo-

lution on its own axis, while its satellite, the moon, also

revolving on its own axis, is in constant movement around

it. The sun itself, revolving too on its own axis, is, with

all its attendant bodies, in constant movement around

some, probably moving, point in the universe which

astronomers have not yet been able to determine.

Thus we find ourselves, on the surface of a globe seem-

ingly fixed, but really in constant motion of so many dif-

ferent kinds that it would be impossible with our present

knowledge to make a diagram indicating its real movement

through space at any point— a globe large to us, yet only

as a grain of sand on the sea-shore compared with the

bodies and spaces of the universe of which it is a part.

We find ourselves on the surface of this ceaselessly mov-

ing globe, as passengers, brought there in utter insensibil-

ity, they know not how or whence, might find themselves

on the deck of a ship, moving they know not where , and

who see in the distance similar ships, whether tenanted or

how tenanted they can only infer and guess. The im-

measurably great lies beyond us, and about and beneath

Chap. II. MAN, HIS PLACE AND POWERS. 13

us the immeasurably small. The microscope reveals in-

finitudes no less startling to our minds than does the tele-

scope.

Here we are, depth upon depth about us, confined to the

bottom of that sea of air which envelops the surface of this

moving globe. In it we live and breathe and are con-

stantly immersed. Were our lungs to cease taking in and

pumping out this air, or our bodies relieved of its pressure,

we should die.

Small as our globe seems in the light of astronomy, it

is not really of the whole globe that we are tenants, but

only of a part of its surface. Above this mean surface,

men have found it possible only with the utmost effort and

fortitude to ascend something less than seven miles ; below

it our deepest mining shafts do not pierce a mile. Thus

the extreme limits in depth and height to which man may

occasionally adventure, though not permanently live, are

hardly eight miles. In round numbers the globe is 8000

miles in diameter. Thus the skin of the thinnest-skinned

apple gives no idea of the relative thinness of the zone of

perpendicular distance to which man is confined. And

three fourths of the surface of the globe at its junction

with the air is covered by water, on which, though man

may pass, he cannot dwell; while considerable parts of

what remain are made inaccessible by ice. Like a bridge

of hair is the line of temperature that we must keep. In-

vestigators tell us of the existence of temperatures thou-

sands of degrees above zero and thousands of degrees below

zero. But man's body must maintain the constant level

of a fraction over 98 degrees above zero. A rise or fall

of seven degrees either way from this level and he dies.

With the permanent rise or fall of a few more degrees in

the mean temperature of the surface of the globe it would

become uninhabitable by us.

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And while all about us, even what seems firmest, is in

constant change and motion, so is it with ourselves. These

bodies of ours are in reality like the flame of a gas-burner,

which has continuous and defined form, but only as the

manifestation of changes in a stream of succeeding parti-

cles, and which disappears the moment that stream is cut

off. What there is real and distinctive in us is that to

which we may give a name but cannot explain nor easily

define— that which gives to changing matter and passing

motion the phase and form of man. But our bodies and

our physical powers themselves, like the form and power

of the gas-flame, are only passing manifestations of that

indestructible matter and eternally pulsing energy of which

the universe so far as it is tangible to us is made up. Stop

the air that every instant is drawn through our lungs and

we cease to live. Stop the food and drink that serve to

us the same purpose as coal and water to the steam-engine,

and, as certainly, if more slowly, the same result follows.

In all this, man resembles the other animals that with

him tenant the superficies of the same earth. Physically

he is merely such an animal, in form and structure and

primary needs closely allied to the mammalia, with whose

species he is zoologically classified. Were man only an

animal he would be but an inferior animal. Nature has

not given him the powers and weapons which enable other

animals readily to secure their food. Nor yet has she

given him the covering which protects them. Had he like

them no power of providing himself with artificial clothing,

man could not exist in many of the regions he now in-

habits. He could live only in the most genial and equable

parts of the globe.

But man is more than an animal. Though in physical

equipment he may in nothing surpass, and in some things

fall below other animals, in mental equipment he is so

vastly superior as to take him out of their class, and to

Chap. II. MAN, HIS PLACE AND POWERS. 15

make him the lord and master of them all— to make him

veritably, of all that we may see, " the roof and crown of

things." And what more clearly perhaps than all else in-

dicates the deep golf which separates him from all other

animals is that he alone of all animals is the producer, or

bringer forth, and in that sense a maker. In this is a

difference which renders the distinction between the high-

est animal and the lowest man one not of degree but of

kind, and which, linked with the animals though he be,

justifies the declaration of the Hebrew Scripture, that man

is created in the likeness of the All-Maker.

Consider this distinction : We know of no race of men

so low that they do not raise fruits or vegetables, or

domesticate and breed animals ; that do not cook food ;

that do not fashion weapons ; that do not construct habita-

tions ; that do not make for themselves garments ; that do

not adorn themselves or their belongings with ornamenta-

tion ; that do not show at least the rude beginnings of

drawing and painting and sculpture and music. In all the

tribes of animated nature below man there is not the

slightest indication of the power thus shown. No animal

save man ever kindled a fire or cooked a meal, or made a

tool or fashioned a weapon.

It is true that the squirrel hides nuts ; that birds build

nests ; that the beaver dams streams ; that bees construct

combs, in which they store the honey they extract from

flowers ; that spiders weave webs ; that one species of ants

are said to milk insects of another kind. All this is true,

just as it is also true that there are birds whose melody

far surpasses the best music of the savage, and that on

tribes below man nature lavishes an adornment of attire

that in taste as well as brilliancy surpasses the meretricious

adornments of primitive man.

But in all this there is nothing akin to the faculties

which in these things man displays. What man does, he

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does by taking thought, by consciously adjusting means

to ends. He does it by adapting and contriving and ex-

perimenting and copying ; by effort after effort and trial

after trial. What he does, and his ways of doing it, vary

with the individual, with social development, with time and

place and surroundings, and with what he sees others do.

But the squirrel hides its nuts; the birds after their

orders build their nests, and in due time force their young

to fly; the beaver constructs its dam; the bees store their

honey; the spiders weave, and the ants do the work of

their societies, without taking thought, without toilsomely

scheming for the adapting of means to ends, without

experimenting or copying or improving. What they do of

such things, they do not as originators who have discovered

how to do it.; nor yet as learners or imitators or copyists.

They do it, first as well as last, unfalteringly and unalter-

ingly, forgetting nothing and improving in nothing. They

do it, not by reason but by instinct ; by an impulse inhering

in their nature which prompts them without perplexity or

trial on their part to go so far, but gives them no power

to go farther. They do it as the bird sings or the dog

barks, as the hen sits on her eggs or the chick picks its

way from the shell to scratch the ground.

Nature provides for all living things beneath man by

implanting in them blind, strong impulses which at proper

times and seasons prompt them to do what it is necessary

they should do. But to man she grants only such impel-

lings of instinct as that which prompts the mother to press

the new-born babe to her breast and the babe to suckle.

With exceptions such as these, she withdraws from man

her guiding power and leaves him to himself. For in him

a higher power has arisen and looks out on the world— a

power that separates him from the brute as clearly and as

widely as the brute is separated from the clod ; a power

that has in it the potency of producing, of making, of

Chap. II. MAN, HIS PLACE AND POWERS. 17

causing things to be ; a power that seeks to look back into

a past ere the globe was, and to peer into a future when

it will cease to exist ; a power that looks on Nature's show

with curiosity like that with which an apprentice might

scan a master's work, and will ask why tides run and

winds blow, and how suns and stars have been put to-

gether ; a power that in its beginnings lacks the certainty

and promptness of instinct, but which, though infinitely

lower in degree, must yet in some sort be akin to that from

which all things proceed.

As this power, which we call reason, rises in man, na-

ture withdraws the light of instinct and leaves him to his

own devices— to rise or fall, to soar above the brute or to

sink lower. For as the Hebrew Scriptures have phrased

it, his eyes are opened and before him are good and evil.

The ability to fall, no less than the ability to rise— the very

failures and mistakes and perversities of man— show his

place and powers. There is among the brutes no drunk-

enness, no unnatural vice, no waste of effort in accom-

plishing injurious results, no wanton slaughter of their

own kind, no want amid plenty. "We may conceive of

beings in the form of man, who, like these animals, should

be ruled by such clear and strong instincts that among

them also there would be no liability to such perversions.

Yet such beings would not be men. They would lack the

essential character and highest powers of man. Fitted

perfectly to their environment they might be happy in a

way. But it would be as the full-fed hog is happy. The

pleasure of making, the joy of overcoming, the glory of

rising, how could they exist for such beings t That man

is not fitted for his environment shows his higher quality.

In him is that which aspires— and still aspires.

Endowed with reason, and deprived, or all but deprived,

of instinct, man differs from other animals in being the

producer. Like them, for instance, he requires food. But

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while the animate get their food by taking what they find,

and are thus limited by what they find already in exis-

tence, man has the power of getting his food by bringing

it into existence. He is thus enabled to obtain food in

greater variety and in larger quantity. The amount of

grass limits the number of wild cattle, the amount of their

prey limits the number of the carnivora; but man causes

grasses and grains and fruits to grow where they did not

grow before ; he breeds animals on which he feeds. And

so it is with the fulfilment of all his wants ; the satisfaction

of all his desires. By the use of his animal powers, man

can cover perhaps as much ground in a day as can a horse

or a dog ; he can cross perhaps about as wide a stream.

But by virtue of the power that makes him the producer

he is already spanning continents and oceans with a speed,

a certainty and an ease that not even the birds of most

powerful wing and swiftest flight can rival.

CHAPTER IIL

HOW MAN'S POWERS ARE EXTENDED.

SHOWING THAT THEIR USE OF REASON WELDS MEN INTO

THE SOCIAL ORGANISM OR ECONOMIC BODY.

Extensions of man's powers in civilization— Due not to improve-

ment in the individual but in the society— Hobbes's " Leviathan "

—The Greater Leviathan— This capacity for good also capacity

for evil.

MAN, as we have any knowledge of him, either in the

present or in the past, is always man ; differing from

other animals in the same way, feeling the same essential

needs, moved by the same essential desires, and possessed

of the same essential powers.

Yet between man in the lowest savagery and man in

the highest civilization how vast the difference in the

ability of satisfying these needs and desires by the use of

these powers. In food, in raiment, in shelter 5 in tools

and weapons ; in ease of movement and of transportation ;

in medicine and surgery ; in music and the representative

arts ; in the width of his horizon ; in the extent and pre-

cision of the knowledge at his service— the man who is

free to the advantages of the civilization of to-day is as

a being of higher order compared to the man who was

clothed in skins or leaves, whose habitation was a cave or

rude hut, whose best tool a chipped flint, whose boat a

hollowed log, whose weapons the bow and arrows, and

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whose horizon was bounded, as to the past, by tribal tra-

dition, and as to the present by the mountains or sea-shore

of his immediate home and the arched dome which seemed

to him to shut it in.

But if we analyze the way in which these extensions of

man's power of getting and making and knowing and

doing are gained, we shall see that they come, not from

changes in the individual man, but from the union of

individual powers. Consider one of those steamships now

crossing the Atlantic at a rate of over five hundred miles

a day. Consider the cooperation of men in gathering

knowledge, in acquiring skill, in bringing together mate-

rials, in fashioning and managing the whole great struc-

ture ; consider the docks, the storehouses, the branching

channels of trade, the correlation of desires reaching over

Europe and America and extending to the very ends of

the earth, which the regular crossing of the ocean by such

a steamship involves. Without this cooperation such a

steamship would not be possible.

There is nothing whatever to show that the men who

to-day build and navigate and use such ships are one whit

superior in any physical or mental quality to their ances-

tors, whose best vessel was a coracle of wicker and hide.

The enormous improvement which these ships show is not

an improvement of human nature ; it is an improvement

of society— it is due to a wider, fuller union of individual

efforts in the accomplishment of common ends.

To consider in like manner any one of the many and

great advances which civilized man in our time has made

over the power of the savage, is to see that it has been

gained, and could only have been gained, by the widening

cooperation of individual effort.

The powers of the individual man do not indeed reach

their full limit when maturity is once attained, as do those

of the animal j but, the highest of them at least, are capable

Chap. III. HOW MAN'S POWERS ABE EXTENDED. 21

of increasing development up to the physical decay that

comes with age, if not np to the verge of the grave. Yet,

at best, man's individual powers are small and his life is

short What advances would he possible if men were

isolated from each other and one generation separated

from the next as are the generations of the seventeen-year

locusts f The little such individuals might gain during

their own lives would be lost with them. Each generation

would have to begin from the starting-place of its prede-

cessor.

But man is more than an individual. He is also a social

animal, formed and adapted to live and to cooperate with

his fellows. It is in this line of social development that

the great increase of man's knowledge and powers takes

place.

The slowness with which we attain the ability to care

for ourselves and the qualities incident to our higher gifts

involve an overlapping of individuals that continues and

extends the family relation beyond the limits which obtain

among other mammalia. And, beyond this relation, com-

mon needs, similar perceptions and like desires, acting

among creatures endowed with reason and developing

speech^ lead to a cooperation of effort that even in its

crudest forms gives to man powers that place him far

above the beasts and that tends to weld individual men

into a social body, a larger entity, which has a life and

character of its own, and continues its existence while its

components change, just as the life and characteristics of

our bodily frame continue, though the atoms of which it

is composed are constantly passing away from it and as

constantly being replaced.

It is in this social body, this larger entity, of which in-

dividuals are the atoms, that the extensions of human

power which mark the advance of civilization are secured.

The rise of civilization is the growth of this cooperation

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and the increase of the body of knowledge thus obtained

and garnered.

Perhaps I can better point out what I mean by an illus-

tration :

The famous treatise in which the English philosopher

Hobbes, during the revolt against the tyranny of the

Stuarts in the seventeenth century, sought to give the

sanction of reason to the doctrine of the absolute authority

of kings, is entitled " Leviathan." It thus begins :

Nature, the art whereby God hath made and governs the world, is

by the art of man, as in many other things, so in this also imitated,

that it can make an artificial animal. . . . For by art is created that

great Leviathan called a commonwealth or state, in Latin civitas,

which is but an artificial man ; though of greater stature and strength

than the natural, for whose protection and defense it was intended ;

and in which the sovereignty is an artificial soul, as giving life and

motion to the whole body ; the magistrates and other officers of judi-

cature and execution, artificial joints ; reward and punishment, by

which fastened to the seat of the sovereignty every joint and mem-

ber is moved to perform his duty, are the nerves, that do the same

in the body natural ; the wealth and riches of all the particular mem-

bers, are the strength ; salus popuU f the people's safety, its business ;

counselors by whom all things needful for it to know are suggested

unto it, are the memory ; equity and laws, an artificial reason and

will; concord, health; sedition, sickness; and civil war, death.

Lastly, the pacts and covenants, by which the parts of this body

politic were at first made, set together, and united, resemble that

fiat, or the "Let us make man," pronounced by God in the creation.

Without stopping now to comment further on Hobbes's

suggestive analogy, there is, it seems to me, in the system

or arrangement into which men are brought in social life,

by the effort to satisfy their material desires— an integra-

tion which goes on as civilization advances— something

which even more strongly and more clearly suggests the

idea of a gigantic man, formed by the union of individual

men, than any merely political integration.

This Greater Leviathan is to the political structure or

conscious commonwealth what the unconscious functions

Chap. III. HOW MAN'S POWERS ARE EXTENDED. 23

of the body are to the conscious activities. It is not made

by pact and covenant, it grows ; as the tree grows, as the

man himself grows, by virtue of natural laws inherent in

human nature and in the constitution of things ; and the

laws which it in turn obeys, though their manifestations

may be retarded or prevented by political action are them-

selves utterly independent of it, and take no note whatever

of political divisions.

It is this natural system or arrangement, this adjust-

ment of means to ends, of the parts to the whole and the

whole to the parts, in the satisfaction of the material de-

sires of men living in society, which, in the same sense as

that in which we speak of the economy of the solar system,

is the economy of human society, or what in English we

call political economy. It is as human units, individuals

or families, take their place as integers of this higher man,

this Greater Leviathan, that what we call civilization

begins and advances.

But in this as in other things, the capacity for good is

also capacity for evil, and prejudices, superstitions, errone-

ous beliefs and injurious customs may in the same way be

so perpetuated as to turn what is the greatest potency of

advance into its greatest obstacle, and to engender degra-

dation out of the very possibilities of elevation. And it

is well to remember that the possibilities of degradation

and deterioration seem as clear as the possibilities of ad-

vance. In no race and at no place has the advance of man

been continuous. At the present time, while European

civilization is advancing, the majority of mankind seem

stationary or retrogressive. And while even the lowest

peoples of whom we have knowledge show in some things

advances over what we infer must have been man's primi-

tive condition, yet it is at the same time true that in other

things they also show deteriorations, and that even the most

highly advanced peoples seem in some things below what

we best imagine to have been as the original state of man.

CHAPTER IV.

CIVILIZATION- WHAT IT MEANS.

SHOWING THAT CIVILIZATION CONSISTS IN THE WELDING OP

MEN INTO THE SOCIAL ORGANISM OR ECONOMIC BODY.

Vagueness as to what civilization is— Guizot quoted— Derivation

and original meaning— Civilization and the State— Why a word

referring to the precedent and greater has been taken from one

referring to the subsequent and lesser.

THE word civilization is in common use. But it is

used with vague and varying meanings, which refer

to the qualities or results that we attribute to the thing,

rather than to the thing itself the existence or possibility

of which we thus assume.

Sometimes our expressed or implied test of civilization

is in the methods of industry and control of natural forces.

Sometimes it is in the extent and diffusion of knowledge.

Sometimes in the kindliness of manners and justice and

benignity of laws and institutions. Sometimes it may be

suspected that we use the word as do the Chinese when

they class as barbarians all humanity outside of the " Cen-

tral Flowery Kingdom." And there is point in the satire

which tells how men who had lost their way in the wilder-

ness, exclaimed at length when they reached a prison:

" Thank God, we are at last in civilization ! n

This difficulty in determining just what civilization is,

does not pertain to common speech alone, but is felt by

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Chap. IV. CIVILIZATION- WHAT IT MEANS. 25

the best writers on the subject. Thus Buckle, in the two

great volumes of the general introduction to his " History

of Civilization in England," which was all his untimely

death permitted him to complete, gives us his view of what

civilization depends on, what influences it, what promotes

or retards it ; but does not venture to say what civilization

is. And thus Guizot, in his " General History of Civiliza-

tion in Modern Europe," says of civilization itself :

It is so general in its nature that it can scarcely be seized ; so com-

plicated that it can scarcely be unraveled ; so hidden as scarcely to

be discernible. The difficulty of describing it, or recounting its his-

tory, is apparent and acknowledged ; but its existence, its worthiness

to be described and to be recounted, is not less certain and manifest.

Tet, surely, it ought to be possible to fix the meaning of a

word so common and so important ; to determine the thing

from which the qualities we attribute to civilization pro-

ceed. This I shall attempt, not only because I shall have

future occasion to use the word, but because of the light

the effort may throw on the matter now in hand, the

nature of political economy.

The word civilization comes from the Latin civis, a

citizen. Its original meaning is, the manner or condition

in which men live together as citizens. Now the relations

of the citizen to other citizens, which are in their concep-

tion peaceable and friendly, involving mutual obligations,

mutual rights and mutual services, spring from the rela-

tion of each citizen to a whole of which each is an integral

part. That whole, from membership in which proceeds

the relationship of citizens to each other, is the body

politic, or political community, which we name the state,

and which, struck by the analogy between it and the

human body, Hobbes likened to a larger and stronger man

made up by the integration of individual men, and called

Leviathan.

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Yet it is not this political relation, but a relation like

it, that is suggested in this word civilization— a relation

deeper, wider and closer than the relation of the citizen to

the State, and prior to it.

There is a relation between what we call a civilization

and what we call a state, but in this the civilization is the

antecedent and the state the subsequent. The appearance

and development of the body politic, the organized state,

the Leviathan of Hobbes, is the mark of civilization already

in existence. Not in itself civilization, it involves and

presupposes civilization.

And in the same way the character of the state, the

nature of the laws and institutions which it enacts and

enforces, indicate the character of the underlying civiliza-

tion. For while civilization is a general condition, and

we speak of mankind as civilized, half civilized or uncivi-

lized, yet we recognize individual differences in the char-

acteristics of a civilization, as we recognize differences in

the characteristics of a state or in the characteristics of a

man. We speak of ancient civilization and modern civili-

zation ; of Asiatic civilization and European civilization ;

of the Egyptian, the Assyrian, the Chinese, the Indian,

the Aztec, the Peruvian, the Roman and the Greek civili-

zations, as separate things, having such general likeness

to each other as men have to men, but each marked by

such individual characteristics as distinguish one man from

other men. And whether we consider them in their grand

divisions or in their minor divisions, the line between what

we call civilizations is not the line of separation between

bodies politic. The United States and Canada, or the

United States and Great Britain, are separate bodies politic,

yet their civilization is the same. The making of the

Queen of Great Britain Empress of India does not substi-

tute the English civilization for the Indian civilization in

Bengal, nor the Indian civilization for the English civiliza-

Chap. IV. CIVILIZATION- WHAT IT MEANS. 27

tion in Yorkshire or Kent. Change in allegiance involves

change in citizenship, but in itself involves no change in

the civilization. Civilization is evidently a relation which

underlies the relations of the body politic as the uncon-

scious motions of the body underlie the conscious motions.

Now, as the relations of the citizen proceed essentially

from the relation of each citizen to a whole— the body pol-

itic, or Leviathan, of which he is a part— is it not clear,

when we consider it, that the relations of the civilized man

proceed from his relations to what I have called the body

economic, or Greater Leviathan f It is this body economic,

or body industrial, which grows up in the cooperation of

men to supply their wants and satisfy their desires, that

is the real thing constituting what we call civilization.

Of this the qualities by which we try to distinguish what

we mean by civilization are the attributes. It does indeed,

I think, best present itself to our apprehension in the

likeness of a larger and greater man, arising out of and

from the cooperation of individual men to satisfy their

desires, and constituting, after the evolution which finds

its crown in the appearance of man himself, a new and

seemingly illimitable field of progress.

This body economic, or Greater Leviathan, always pre-

cedes and always underlies the body politic or Leviathan.

The body politic or state is really an outgrowth of the

body economic, in fact one of its organs, the need for

which and appearance of which arises from and with its

own appearance and growth. And from this relation of

dependence upon the body economic, the body politic can

never become exempt.

Why, then, it may be asked, is it that we take for the

greater and precedent a word drawn from the lesser and

subsequent, and find in the word civilization, which ex-

presses an analogy to the body politic, the word that

serves us as a name for the body economic? The reason

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of this is worth noting, as it flows from an important

principle in the growth of human knowledge. Things

that come first in the natural order are not always first

apprehended. As the human eye looks out, but not in, so

the human mind as it scans the world is apt to observe

what is of the superstructure of things before it observes

what is of the foundation.

The body politic is more obvious to our eyes, and, so to

speak, makes more noise in our ears, than the unseen and

silent body economic, from which it proceeds and on which

it depends. Thus, in the intellectual development of

mankind, it and its relations are noticed sooner and receive

names earlier than the body economic. And the words so

made part of our mental furniture, afterwards by their

analogies furnish us with words needed to express the

body economic and its relations when later in intellectual

growth we come to recognizeit. Thus it is that while the

thing civilization must in the natural order precede the

body politic or state, yet when in the development of

human knowledge we come to recognize this thing, we take

to express it and its relations words already in use as ex-

pressive of the body politic and its relations.

But without at present pursuing further that record of

the history of thought that lies in the meaning of words,

let us endeavor to see whence comes the integration of

men into a body economic and how it grows.

CHAPTER V.

THE ORIGIN AND GENESIS OP CIVILIZATION.

SHOWING THE NATURE OP REASON ; AND HOW IT IMPELS TO

EXCHANGE, BY WHICH CIVILIZATION DEVELOPS.

Reason the power of tracing causal relations— Analysis and syn-

thesis—Likeness and unlikeness between man and other animals

—Powers that the apprehension of causal relations gives— Moral

connotations of civilization— But begins with and increases

through exchange— Civilization relative, and exists in the spirit-

ual.

MAN is an animal ; but an animal plus something more

—the divine spark differentiating him from all other

animals, which enables him to become a maker, and which

we call reason. To style it a divine spark is to use a fit

figure of speech, for it seems analogous to, if not indeed

a lower form of, the power to which we must attribute the

origin of the world ; and like light and heat radiates and

enkindles.

The essential quality of reason seems to lie in the power

of tracing the relationship of cause and effect. This power,

in one of its aspects, that which proceeds from effect to

cause, thus, as it were, taking things apart, so as to see

how they have been put together, we call analysis. In

another of its aspects, that which proceeds from cause to

effect, thus, as it were, putting things together, so as to

see in what they result, we call synthesis. In both of

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these aspects, reason, I think, involves the power of pic-

turing things in the mind, and thus making what we may

call mental experiments.

Whoever will take the trouble (and if he has the time,

he will find in it pleasure) to get on friendly and intimate

terms with a dog, a cat, a horse, or a pig, or, still better,—

since these animals, though they have four limbs like ours,

lack hands,— with an intelligent monkey, will find many

things in which our "poor relations n resemble us, or

perhaps rather, we resemble them.

To such a man these animals will exhibit traces at least

of all human feelings— love and hate, hope and fear, pride

and shame, desire and remorse, vanity and curiosity,

generosity and cupidity. Even something of our small

vices and acquired tastes they may show. Goats that

chew tobacco and like their dram are known on shipboard,

and dogs that enjoy carriage-rides and like to run to fires,

on land. " Bummer n and his client "Lazarus" were as

well known as any two-legged San Franciscan some thirty-

five or forty years ago, and until their skins had been

affectionately stuffed, they were " deadheads " at free

lunches, in public conveyances and at public functions.

I bought in Calcutta, when a boy, a monkey which all the

long way home would pillow her little head on mine as I

slept, and keep off my face the cockroaches that infested

the old Indiaman by catching them with her hands and

cramming them into her maw. When I got her home, she

was so jealous of a little brother that I had to part with

her to a lady who had no children. And my own children

had in New York a little monkey, sent them from Para-

guay, that so endeared herself to us all that when she died

from over-indulgence in needle-points and pinheads it

seemed like losing a member of the family. She knew

my step before I reached the door on coming home, and

when it opened would spring: to meet me with chattering

Chap.V. OBIGIN AND GENESIS OP CIVILIZATION. 31

caresses, the more prolonged the longer I had been away.

She leaped from the shoulder of one to that of another at

table ; nicely discriminating between those who had been

good to her and those who had offended her. She had all

the curiosity attributed to her sex in man, and a vanity

most amusing. She would strive to attract the attention

of visitors, and evince jealousy if a child called off their

notice. At the time for school-children to pass by, she

would perch before a front window and cut monkey shines

for their amusement, chattering with delight at their

laughter and applause as she sprang from curtain to

curtain and showed the convenience of a tail that one may

swing by.

How much "human nature" there is in animals, who-

ever treats them kindly knows. "We usually become most

intimate with dogs. And who that has been really inti-

mate with a generous dog has not sympathized with the

children's wish to have him decently buried and a prayer

said over himf Or who, when he saw at last the poor

beast's stiffened frame, could, despite his accustomed

philosophy which reserves a future life to man alone, re-

frain from a moment's hope that when his own time came

to cross the dark river his faithful friend might greet him

on the other shore t And must we say, Nay? The title

by which millions of men prefer to invoke the sacred

name, it is not "the All Mighty," but "the Most Mer-

ciful."

One of the most striking differences between man and

the lower animals is that which distinguishes man as the

unsatisfied animal. Yet I am not sure that this is in itself

an original difference ; an essential difference of kind. I

am, on the contrary, as I come closely to consider it, in-

clined rather to think it a result of the endowment of man

with the quality of reason that animals lack, than in itself

W original difference.

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For, on the one side, we see that men when placed in

conditions that forbid the hope of improvement do become

almost if not quite as stolidly content with no greater

satisfactions than their fathers could obtain as the mere

animals are. And, on the other side, we see that, to some

extent at least, the desires of animals increase as oppor-

tunities for gratifying them are afforded. Give a horse

lump-sugar and he will come to you again to get it, though

in his natural state he aspires to nothing beyond the herb-

age. The pampered lap-dogs whose tails stick out from

warm coats on the fashionable city avenues in winter seem

to enjoy their clothing, though they could never solve the

mystery of how to get it on, let alone how to make it.

They come to want the daintiest food served in china on

soft carpets, while dogs of the street will fight for the

dirtiest bone. I know a cat in the mountains that lives

in the woods all the months when leaves are green, but

when they turn and die seeks the farmer's hearth. The

big white puss that lies curled in the soft chair beside the

stove in the hall below, and who will swell and purr with

satisfaction when I scratch her head and stroke her back

as I pass down, hardly dared sneak into the house a few

weeks ago, but now that she finds she is welcome is content

with nothing less than the softest couch and the warmest

fire. And the shaggy dog that likes so well to sit in a boat

and watch the water as it plashes by, makes me wonder

sometimes if he would not want a nicely cushioned naph-

tha launch if he could make out how to get one. Even

man is content with the best he can get until he begins to

see he can get better. A handsome woman I have met,

who puts on for ball or opera an earl's ransom in gems,

and must have a cockade in her coachman's hat and bicycle

tires on her carriage-wheels, will tell you that once her

greatest desire was for a new wash-tub and a better

cooking-stove.

Chap. V. ORIGIN AND GENESIS OF CIVILIZATION. 33

The more we come to know the animals the harder we

find it to draw any clear mental line between them and

us, except on one point, as to which we may see a clear

and profound distinction. This, that animals lack and

that men have, is the power of tracing effect to cause, and

from cause assuming effect. Among animals this want is

to some extent made up for by finer sense-perceptions and

by the keener intuitions that we call instinct. But the line

that thus divides us from them is nevertheless wide and

deep. Memory, which the animals share with man, enables

them to some extent to do again what they have been first

taught to do $ to seek what they have found pleasant, and

to avoid what they have found painful. They certainly

have some way of communicating their impressions and

feelings to others of their kind which constitutes a rudi-

mentary language, while their sharper senses and keener

intuitions serve them in some cases where men would be

at fault. Yet they do not, even in the simplest cases, show

the ability to " think a thing out," and the wiliest and most

sagacious of them may be snared and held by devices the

simplest man would with a moment's reflection " see his

way through." \*

Is it not in this power of "thinking things out," of

"seeing the way through"— the power of tracing causal

relations— that we find the essence of what we call rea-

son, the possession of which constitutes the unmistakable

difference, not in degree but in kind, between man and the

brutes, and enables him, though their fellow on the plane

of material existence, to assume mastery and lordship over

them all?

Here is the true Promethean spark, the endowment to

\* I do not of course include the animals of fairy tale, nor the

superordinary dogs that Herbert Spencer's correspondents write to

him about. See Herbert Spencer's "Justice," Appendix D, or my

"A Perplexed Philosopher, » p. 285.

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which the Hebrew Scriptures refer when they say that

God created man in His own image ; and the means by

which we, of all animals, become the only progressive

animal. Here is the germ of civilization.

It is this power of relating effect to cause and cause to

effect which renders the world intelligible to man ; which

enables him to understand the connection of things around

him and the bearings of things above and beyond him ; to

live not merely in the present, but to pry into the past

and to forecast the future ; to distinguish not only what

are presented to him through the senses, but things of

which the senses cannot tell ; to recognize as through mists

a power from which the world itself and all that therein

is must have proceeded; to know that he himself shall

surely die, but to believe that after that he shall live

again. %

It is this power of discovering causal relations that en-

ables him to bring forth fire and call out light ; to cook

food ; to make for himself coats other than the skin with

which nature clothes him ; to build better habitations than

the trees and caves that nature offers ; to construct tools ;

to forge weapons ; to bury seeds that they may rise again

in more abundant life; to tame and breed animals; to

utilize in his service the forces of nature ; to make of water

a highway ; to sail against the wind and lift himself by

the force that pulls all things down; and gradually to

exchange the poverty and ignorance and darkness of the

savage state for the wealth and knowledge and light that

come, from associated effort.

All these advances above the animal plane, and all that

they imply or suggest, spring at bottom from the power

that makes it possible for a man to tie or untie a square

knot, which animals cannot do ; that makes it impossible

that he should be caught in a figure-4 trap as rabbits and

b^rds $re caught, or should stand helpless like & bull or a

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horse that has wound his tethering-rope around a stake

or a tree, not knowing in which way to go to loose it.

This power is that of discerning the relation between cause

and effect.

We measure civilization in various ways, for it has

various aspects or sides; various lines along which the

general advance implied in the word shows itself —as in

knowledge, in power, in wealth, in justice and kindliness.

But it is in this last aspect, I think, that the term is most

commonly used. This we may see if we consider that the

opposite of civilized is savage or barbarous. Now savage

and barbarous refer in common thought and implication

not so much to material as to moral conditions, and are

synonyms of ferocious or cruel or merciless or inhuman.

Thus, the aspect of civilization most quickly apprehended

in common thought is that of a keener sense of justice and

a kindlier feeling between man and man. And there is

reason for this. While an increased regard for the rights

of others and an increased sympathy with others is not

all there is in civilization, it is an expression of its moral

side. And as the moral relates to the spiritual, this aspect

of civilization is the highest, and does indeed furnish the

truest sign of general advance.

Yet for the line on which the general advance primarily

proceeds, for the manner in which individual men are

integrated into a body economic or greater man, we must

look lower. Let us try to trace the genesis of civilization.

Gifted alone with the power of relating cause and effect,

man is among all animals the only producer in the true

sense of the term. He is a producer, even in the savage

state; and would endeavor to produce even in a world

where there was no other man. But the same quality of

reason which makes him the producer, also, wherever

exchange becomes possible, makes him the exchanger.

And it is along this line of exchanging that the body

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economic is evolved and develops, and that all the advances

of civilization are primarily made.

But while production must have begun with man, and

the first human pair to appear in the world, we may con-

fidently infer, must have begun to use in the satisfaction

of their wants a power essentially different in kind from

that used by animals, they could not begin to use the

higher forms of that power until their numbers had in-

creased. With this increase of numbers the cooperation

of efforts in the satisfaction of desires would begin. Aided

at first by the natural affections, it would be carried be-

yond the point where these suffice to begin or to continue

cooperation by that quality of reason which enables the

man to see what the animal cannot, that by parting with

what is less desired in exchange for what is more desired,

a net increase in satisfaction is obtained.

Thus, by virtue of the same power of discerning causal

relations which leads the primitive man to construct tools

and weapons, the individual desires of men, seeking satis-

faction through exchange with their fellows, would operate,

like the microscopic hooks which are said to give its felting

quality to wool, to unite individuals in a mutual coopera-

tion that would weld them together as interdependent

members of an organism, larger, wider and stronger than

the individual man— the earlier and Greater Leviathan that

I have called the body economic.

"With the beginning of exchange or trade among men

this body economic begins to form, and in its beginning

civilization begins. The animals do not develop civiliza-

tion, because they do not trade. The simulacra of civili-

zation which we observe among some of them, such as

ants and bees, proceed from a lower plane than that of

reason— from instinct. While such organization is more

perfect in its beginnings, for instinct needs not to learn

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from experience, it lacks all power of advance. Reason

may stumble and fall, but it involves possibilities of what

seem like infinite progression.

As trade begins in different places and proceeds from

different centers, sending out the network of exchange

which relates men to each other through their needs and

desires, different bodies economic begin to form and to

grow in different places, each with distinguishing char-

acteristics which, like the characteristics of the individual

face and voice, are so fine as only to be appreciated rela-

tively, and then are better recognized than expressed.

These various civilizations, as they meet on their margins,

sometimes overlap, sometimes absorb, and sometimes over-

throw one another, according to a vitality dependent on

their mass and degree, and to the manner in which their

juxtaposition takes place.

We are accustomed to speak of certain peoples as un-

civilized, and of certain other peoples as civilized or fully

civilized, but in truth such use of terms is merely relative.

To find an utterly uncivilized people we must find a people

among whom there is no exchange or trade. Such a people

does not exist, and, so far as our knowledge goes, never

did. To find a fully civilized people we must find a people

among whom exchange or trade is absolutely free, and has

reached the fullest development to which human desires can

carry it. There is, as yet, unfortunately, no such people.

To consider the history of civilization, with its slow

beginnings, its long periods of quiescence, its sudden flashes

forward, its breaks and retrogressions, would carry me

further than I can here attempt. Something of that the

reader may find in the last grand division of " Progress

and Poverty," Book X., entitled, "The Law of Human

Progress." What I wish to point out here is in what

civilization essentially and primarily consists.

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But this is to be remembered : Neither what we speak

of as different civilizations nor yet what we call civilization

in the abstract or general has existence in the material or

is directly related to rivers and mountains, or divisions

of the earth's surface. Its existence is in the mental or

spiritual.

I

CHAPTER VI.

OP KNOWLEDGE AND THE GROWTH OP

KNOWLEDGE.

SHOWING THAT THE GROWTH OP KNOWLEDGE IS BY COOP-

ERATION, AND THAT IT INHERES IN THE SOCIETY.

Civilization implies greater knowledge— This gain comes from co-

operation—The incommunicable knowing called skill— The com-

municable knowing usually called knowledge— The relation of

systematized knowledge to the means of storing knowledge, to

skill and to the economic body— Illustration from astronomy.

IN contrasting man in the civilized state with man in

his primitive state I have dwelt most on the gain in

the power of gratifying material desires, because such gains

are most obvious. Yet as thought precedes action, the

essential gain which these indicate must be in knowledge.

That the ocean steamship takes the place of the hollow

log, the great modern building of the rude hut, shows a

larger knowledge utilized in such constructions.

To consider the nature of this gain in knowledge is to

see that it is not due to improvement in the individual

power of knowing, but to the larger and wider cooperation

of individual powers; to the growth of that body of

knowledge which is a part, or rather, perhaps, an aspect

of the social integration I have called the body economic.

If we could separate the individuals whose knowledge,

correlated and combined, is expressed in the ocean steam-

ship or great modern building, it is doubtful if their sepa-

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rate knowledge would suffice for more than the construc-

tions and tools of the savage.

The knowledge that comes closest to the individual is

what we call skill, which consists in knowing how to

govern the organs directly responsive to the conscious

will, so as to bring about desired results. Whoever, in

mature years, has learned to do some new thing, as for

instance to ride a bicycle, knows how slowly and painfully

such knowledge is acquired. At first each leg and foot,

each arm and hand, to say nothing of the muscles of the

chest and neck, seems to need separate direction, which

the conscious mind cannot give so quickly and in such

order as to prevent the learner from falling off or running

into what he would avoid. But as the effort is continued,

the knowledge of how to direct these muscles passes from

the domain of the conscious to that of the subconscious

mind, becoming part of what we sometimes call the memory

of the muscles, and the needed correlation takes place with

the will to bring about the result, or automatically. For

a while, even after one has learned to hold on and keep his

wheel moving, the exertion needed will be so great and his

attention will be so absorbed in this, that he can look

neither to right nor to left, nor notice what he passes.

But with continued effort, the knowledge required for

the proper movement of the muscles becomes so fully stored

in the subconscious memory that at length the learner may

ride easily, indulging in other trains of thought and notic-

ing persons and scenery. His hard-gotten knowledge has

passed into skill.

So in learning to use a typewriter. We must at first

find out, and with a separate effort strike the key for each

separate letter. But as this knowledge takes its place in

the subconscious memory, we merely think the word, and

without further conscious direction, the fingers, as we need

the letters, strike their keys.

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This is how all skill is gained. We may see it in the

child. We may see him gradually acquiring skill in doing

things that we have forgotten that we ourselves had to

learn how to do. When a new man comes into the world

he seems to know only how to cry. But by degrees, and

evidently in the same way by which so many of us over

fifty have learned to ride a bicycle, he learns to suck ; to

laugh ; to eat ; to use his eyes ; to grasp and hold things ;

to sit ; to stand ; to walk ; to speak ; and later, to read, to

write, to cipher, and so on, through all the kinds and de-

grees of skill.

Now, because skill is that part of knowledge which

comes closest to the individual, becoming as it were a part

of his being, it is the knowledge which is longest retained,

and is also that which cannot be communicated from one

to another, or so communicated only in very small degree.

You may give a man general directions as to how to ride

a bicycle or operate a typewriter, but he can get the skill

necessary to do either only by practice.

As to this part of knowledge at least, it is clear that the

advances of civilization do not imply any gain in the

power of the individual to acquire knowledge. Not only

do antiquities show that in arts then fcultivated the men of

thousands of years ago were as skilful as the men of to-day,

but we see the same thing in our contact with people whom

we deem the veriest savages, and the Australian black

fellow will throw a boomerang in a way that excites the

wonder of the civilized man. On the other hand, the

European with sufficient practice will learn to handle the

boomerang or practise any of the other arts of the savages

as skilfully as they, and wild tribes to whom the horse and

firearms are first introduced by Europeans become excel-

lent riders and most expert marksmen.

It is not in skill, but in the knowledge which can be

communicated from one to another, that the civilized man

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shows his superiority to the savage. This part of know-

ledge, to which the term knowledge is usually reserved,

as when we speak of knowledge and skill, consists in a

knowing of the relation of things to other external things,

and may, but does not always or necessarily, involve a

knowing of how to modify those relations. This know-

ledge, since it is not concerned with the government of. the

organs directly responsive to the conscious will, does not

come as close to the individual as skill, but is held rather

as a possession of the organ of conscious memory, than as

a part of the individual himself. While thus subject to

loss with the weakening or lapse of that organ, it is also

thus communicable from one to another.

Now, this is the knowledge which constitutes the body

of knowledge that so vastly increases with the progress of

civilization. Being held in the memory, it is transferable

by speech ; and as the development of speech leads to the

adoption of means for recording language, it becomes

capable of more permanent storage and of wider and easier

transferability— in monuments, manuscripts, books, and

so on.

This ability to store and transmit knowledge in other

and better ways than in the individual memory and in

individual speech, which comes with the integration of

individual men in the social body or body economic, is

of itself an enormous gain in the advance of the sum of

knowledge. But the gain in other and allied directions

that comes from the larger and closer integration of indi-

viduals in the social man is greater still. Of the sys-

tematized knowledges, that which we call astronomy was

probably one of the earliest. Consider the first star-gazers,

who with no instrument of observation but the naked eyes,

and no means of record save the memory, saw by watch-

ing night after night related movements in the heavenly

bodies. How little even of their own ability to gather and

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store knowledge could they apply to the getting of such

knowledge. For until civilization had passed its first

stages, the knowledge and skill required to satisfy their

own material needs must have very seriously lessened the

energy that could be applied to the gaining of any other

knowledge.

Compare with such an observer of the stars, the star-

gazer who watches now in one of the great modern observa-

tories. Consider the long vistas of knowledge and skill,

of experiment and meditation and effort, that are involved

in the existence of the building itself, with its mechanical

devices; in the great lenses; in the ponderous tube so

easily adjusted ; in the delicate instruments for measuring

time and space and temperature ; in the tables of logarithms

and mechanical means for effecting calculations; in the

lists of recorded observations and celestial atlases that may

be consulted ; in the means of communicating by telegraph

and telephone with other observers in other places, that

now characterize a well-appointed observatory, and in the

means and appliances for securing the comfort and freedom

from distraction of the observer himself ! To consider all

these is to begin to realize how much the cooperation of

other men contributes to the work of even such a special-

ized individual as he who watches the stars.

CHAPTER Vn.

OF SEQUENCE, CONSEQUENCE AND LAWS OF

NATURE.

SHOWING THE PROPER MEANING OP SEQUENCE AND OP CON-

SEQUENCE, AND WHY WE SPEAK OP LAWS OP NATURE.

Coexistence and succession— Sequence and consequence— Causes in

series; names for them— Our direct knowledge is of spirit-

Simplest perception of causal relation— Extensions of this— The

causal search unsatisfied till it reaches spirit— And finds or as-

sumes intent— Early evidences of this— Why we must assume a

superior spirit. —Evidences of intent— The word nature and its

implication of will or spirit— The word law— The term "law of

nature."

WHETHER all our knowledge of the relations of

things in the external world comes to us primarily

by experience and through the gates of the senses, or

whether there is some part of such knowledge of which

we are intuitively conscious and which belongs to our

human nature as its original endowment, are matters as

to which philosophers are, and probably always will be, at

variance. But into such discussions, mainly verbal as

they are, it is needless for us to enter. For what concerns

us here the distinctions made in ordinary perceptions and

common speech will suffice.

In the phenomena presented to him, man must early

notice two kinds of relation. Some things show themselves

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with other things, and some things follow other things.

These two kinds of relation we call relations of coexistence,

and relations of succession or sequence. Since what con-

tinues is not so apt to attract our attention as what

changes, it is probable that the first of these two relations

to be noticed is that of succession. Light comes with the

appearance of the luminous bodies of the firmament, and

darkness with their disappearance. Night succeeds day,

and day night ; spring the winter, and summer the spring ;

the leaf, the bud ; and wind and rain the heavy threaten-

ing cloud. The approach to fire is followed by a pleasant

sensation as we get close enough to it, and by a most painful

sensation if we get too close. The eating of some things

is succeeded by satisfaction ; the eating of other things

by pain.

But to note the relation of things in succession does not

content man. The essential quality of reason, the power

of discerning causal relations, leads him to ask why one

thing follows another, and in the relation of sequence to

assume or to seek for a relation of con-sequence.

Let us fix in our minds the meaning of these two words.

For even by usually careful writers one of them is some-

times used when the other is really meant, which brings

about confusion of thought where precision is needed.

The proper meaning of sequence is that which follows

or succeeds. The proper meaning of consequence is that

which follows from. To say that one thing is a sequence

of another, is to say that the one has to the other a relation

of succession or coming after. To say that one thing is a

consequence of another, is to say that the one has to the

other a relation not merely of succession, but of necessary

succession, the relation namely of effect to cause.

Now of the sequences which we notice in external nature,

some are variable, that is to say, they do not always follow

what is giveji as the antecedent, while some are invariable,

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that is to say, they always follow what is given as the

antecedent. As to these invariable sequences, which we

properly call consequences, we give a name to the causal

connection between what we apprehend as effect and what

we assume as cause by calling it a law of nature. What

we mean by this term is a matter too important to be left

in the uncertainty and confusion with which it is treated

in the standard economic works. Let us therefore, before

beginning to use the term, try to discover how it has come

into use, that we may fully understand it.

When, proceeding from what we apprehend as effect or

consequence, we begin to seek cause, it in most cases hap-

pens that the first cause we find, as accounting for the

phenomena, we soon come to see to be in itself an effect

or consequence of an antecedent which to it is cause.

Thus our search for cause begins again, leading us from

one link to another link in the chain of causation, until

we come to a cause which we can apprehend as capable of

setting in motion the series of which the particular result

is the effect or consequence.

In a series of causes, what we apprehend as the begin-

ning cause is sometimes called "primary cause" and

sometimes "ultimate cause;" while "final cause," which

has the meaning of purpose or intent, lies deeper still.

This use of seemingly opposite names for the same thing

may at first puzzle others as at first it puzzled me. But

it is explained when we remember that what is first and

what last in a chain or series depends upon which end we

start from. Thus, when we proceed from cause towards

effect, the beginning cause comes first, and is styled the

"primary cause." But when we start from effect to seek

cause, as is usually the case, for we can know cause as

cause only when it lies in our own consciousness, the

cause nearest the result comes first, and we call it the

" proximate cause ; " and what we apprehend as the begin-

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ning cause is found last, and we call it the "ultimate" or

" efficient cause/' or, at least where an intelligent will is

assumed, as the all-originator, the "final cause;" while

those which lie between either end of the chain are styled,

sometimes "secondary," and sometimes "intermediate

causes."

Now the only way in which we can hope to discover

what to us is yet unknown is by reasoning to it from what

to us is known. What we know most directly and imme-

diately is that in us which feels and wills ; that which to

distinguish from our own organs, parts or powers we call

the ego, or I ; that which distinguishes us, ourselves, from

the external world, and which is included in the element

or factor of the world that in Chapter I. we called spirit.

Man himself, in outward and tangible form at least, is

comprehended in nature, even in what, when we make the

distinction between subjective and objective, we call ex-

ternal nature. His body is but a part of the, to us, inde-

structible matter, and the motion which imbues it and

through which he may modify external things, is but part

of the, to us, indestructible energy which existed in nature

before man was, and which will remain, nothing less and

nothing more, after he is gone. As I brought into the

world no matter or motion, but from the time of my first

tangible existence as a germ or cell have merely used the

matter and motion already here, so I take nothing away

when I depart. Whether, when I am done with it, my

body be cremated or buried or sunk in the depths of the

sea, the matter which gave it form and the energy which

gave it movement do not cease to be, but continue to exist

and to act in other forms and other expressions.

That which really distinguishes man from external na-

ture ; that which seems to come into the world with the

dawning of life and to depart from it with death, is that

whose identity I recognize as "me," through all changes

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of matter and motion. It is this which not only receives

the impressions brought to it through the senses, but by

the use of the power we call imagination contemplates

itself, as one may look at his own face in a mirror. In

this way the ego or I of man may reason, not only upon

the phenomena of the external world as presented to it

through the senses, but also upon its own nature, its own

powers, and its own activities, and regard the world, ex-

ternal and internal, as a whole, having for its components

not merely matter and energy, but also spirit.

Whatever doubts any one may entertain or profess to

entertain of the existence of what we have called spirit,

can come only, I think, from a confusion in words. For

the one thing of which each of us must be most certain is

that " I am." And it is through this assurance of our own

existence that we derive certainties of all other existence.

The simplest causal relation we perceive is that which

we find in our own consciousness. I scratch my head, I

slap my leg, and feel the effects. I drink, and my thirst is

quenched. Here we have perhaps the closest connection

between consequence and cause. The feeling of head or

leg or stomach, which here is consequence, transmitted

through sense to the consciousness, finds in the direct

perceptions of the same consciousness, the cause— an

exertion of the will. Or, reversely, the conscious exertion

of the will to do these things produces through the senses

a consciousness of result. How this connection takes place

we cannot really tell. When we get to that, the scientist

is as ignorant as the savage. Yet, savage or scientist, we

all know, because we feel the relation in such cases between

cause and consequence.

Passing beyond the point where both cause and effect

are known by consciousness, we carry the certainty thus

derived to the explanation of phenomena as to which cause

and effect, one or both, lie beyond consciousness. I throw

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a stone at a bird and it falls. This result, the fail of the

bird, is made known to me indirectly through my sense of

sight, and later when I pick it up, by my sense of touch.

The bird falls because the stone hit it. The stone hit it

because put in motion by the movement of my hand and

arm. And the movement of my hand and arm was be-

cause of my exertion of will, known to me directly by

consciousness.

What we apprehend as the beginning cause in any series,

whether we call it primary cause or final cause, is always

to us the cause or sufficient reason of the particular result.

And this point in causation at which we rest satisfied is

that which implies the element of spirit, the exertion of

will. For it is of the nature of human reason never to

rest content until it can come to something that may be

conceived of as acting in itself, and not merely as a

consequence of something else as antecedent, and thus

be taken as the cause of the result or consequence from

which the backward search began. Thus, in our instance,

leaving out intermediate links in the chain of causation,

and proceeding at once from result to ultimate cause, or

sufficient reason, we say correctly that the bird fell because

I hit it— that is, because I exerted in an effective way the

will to hit it.

But I know, by consciousness, that in me the exertion

of will proceeds from some motive or desire. And reason-

ing from what I know to explain what I wish to discover,

I explain similar acts in others by similar desires.

So, if one man brain another by striking him with a

club, or bring about his death more gradually by giving

him a slow poison, we should feel that we were being played

with and our intelligence insulted if on asking the cause

of death we were told it was because a club struck him,

or because breath failed him. We are not satisfied until

we know what will was exerted to put into action the

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proximate causes of the result. Nor does this completely

satisfy us. After we know the how, we are apt to ask the

why— the purpose or motive that prompted this exertion

of will. It is not till we get some answer to this that we

feel completely satisfied.

And thus, we sometimes make a still shorter cut in our

causal explanation, by dropping will itself, and speaking

of the desire which prompts to the exertion of will as the

cause of an effect. I see another walk or run or climb a

tree. Prom what I know of the causes of my own acts, I

recognize in this an exertion of will prompted by desire—

the tangible manifestation of an intent ; and say, he walks

or runs or climbs the tree because he wants to get or do

or avoid something. So when we see the bird fly, the fish

swim, the mole or gopher burrow in the ground, we also

recognize in their acts similar intent— the exertion of will

prompted by desire.

Now, this motive or intent or purpose or desire to bring

about an end, which sets an efficient cause to work, was

recognized by Aristotle, and the logicians and meta-

physicians who so long followed him, as properly a cause,

and a beginning dause, and called in their terminology the

" final cause." This term has now, however, become limited

in its use to the idea of purpose or intent in the mind of

the Supreme Being, and the " doctrine of final causes," now

largely out of fashion, is understood to mean the doctrine

which, as the last or final explanation of the existence and

order of the world, seeks to discover the purpose or intent

of the Creator. The argument from the assumption of

what are now called final causes for the existence of an

intelligent Creator is called the " teleological argument,"

and is by those who have the vogue in modern philosophy

regarded with suspicion, if not with contempt. Neverthe-

less, the recognition of purpose or intent as a final or

beginning cause is still to be found in that homely logic

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that fills the common speech of ordinary people with

"becauses."

How early and how strong is the disposition to seek

cause in the exertion of will prompted by desire is shown

in the prattle of children, in folk-lore and fairy tales. We

are at first apt to attribute even to what we afterwards

learn are inanimate things the exertion of will and the

promptings of desire such as we find in our own conscious-

ness, and to say, not as figures of speech, but as recogni-

tions of cause, that the sun smiles and the clouds threaten

and the wind blows for this or that purpose or with this

or that intent.

And in the earliest of such recognitions we find the

moral element, which belongs alone to spirit. What

mother has not soothed her child by threatening or pre-

tending to whip the naughty chair or bad stone that caused

her little girl or boy to stumble, and has not held the little

thing in rapt silence with stories of talking animals and

thinking trees? But as we look closer, we see that the

power of reason is not in animals, nor volition in sticks

and stones. Yet still seeking cause behind effect, and not

satisfied that we have found cause until we have come to

spirit, we find rest for a while by accounting for effects

that we cannot trace to will in men or animals, on the

assumption of will in supersensible forms, and thus gratify

the longing of the reason to discover cause, by peopling

rivers and mountains and lakes and seas and trees and

seasons with spirits and genii, and fairies and goblins, and

angels and devils, and special gods.

Yet, in and through this stage of human thought grows

the apprehension of an order and co-relation in things,

which we can understand only by assuming unity of will

and comprehensiveness of intent— of an all-embracing

system or order which we personify as Nature, and of a

great "lam" from whose exertion of will all things visible

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and invisible proceed, and which is the first or all-begin-

ning cause. In every direction the effort of the reason to

seek the cause of what it perceives, forces this upon the

thoughtful mind.

The bird flies because it wants to fly. In this will or

spirit of the bird we find an ultimate cause or sufficient

reason to satisfy us so far as such action is concerned.

But probably no man ever lived, and certainly no child,

who, seeing the easy sweep of birds through the open

highways of air, has not felt the wish to do likewise. Why

does not the man also fly when he wants to fly t We

answer, that while the bird's bodily structure permits of

the gratification of a will to fly, the man's bodily structure

does not. But what is the reason of this difference ? Here

we come to a sphere where we can no longer find the cause

of result in the individual will. Seeking still for will, as

the only final explanation of cause, we are compelled to

assume a higher and more comprehensive will or spirit,

which has given to the bird one bodily structure, to the

man another.

Or take the man himself. The child cries because it

wants to cry and laughs because it wants to laugh. But

that its teeth begin to come at the proper age— is it be-

cause it wants teeth t In one sense, yes ! When its teeth

begin to come it begins to need teeth 5 or rather will shortly

begin to need teeth, to fit for its stomach the more solid

food it will then require. But in another, and in what we

are discussing, the real sense, no ! The need for teeth

when they begin to come is not a need of the child as it

then is, but a need of the child as it will in future be ; a

totally different being so far as consciousness is concerned.

The yet sucking child can no more want teeth, in the sense

of desiring teeth, than the adult can want to have those

teeth pulled out for the sake of the pulling. The coming

of teeth is not pleasant, but painful— seemingly more

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painful and probably more dangerous than is the pulling

of teeth by modern dentistry. It is clearly not by the

will of the child that we can explain the coming of teeth.

Nor yet can we explain it by the will of the mother. She

may desire that the child's teeth should come. But she

cannot make her will effective in any larger degree than

by rubbing the child's gums. Nor can the most learned

physician help her further than by lancing them, should

they seriously swell. To find a sufficient cause for this

effect, we are compelled to assume a higher will and more

comprehensive purpose than that of man ; a will conscious

from the very first of what will yet be needed, as well as

of what already is needed.

The things that show most clearly the adaptation of

means to ends, so that we can at once understand their

genesis and divine their cause, are things made by man,

such as houses, clothing, tools, adornments, machines ; in

short, what we call human productions. These, as evincing

the adaptation of means to ends, have an unmistakable

character. The coming upon a piece of clothing, or a

brooch or ring, or tomahawk or bow, or the embers and

fragments of a cooked meal, would have been as quick and

even surer proof of the presence of man on his supposed

desert island than were to Robinson Crusoe the footprints

in the sand. For of all the beings that our senses give us

knowledge of, man is the only one that in himself has the

power of adapting means to ends by taking thought.

Yet, so soon as man looks out, he finds in the world

itself evidences of the same power of adapting means to

ends that characterize his own works. Hence, recognizing

in the sum of perceptible things— exclusive of himself, or

rather of his essential principle or ego, but inclusive, not

merely of his bodily, but also of his mental frame— a system

or whole, composed of related parts, he personifies it in

thought and calls it Nature.

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Still, while we personify this, which is to our apprehen-

sion the greatest of systems, and give to it in our English

speech the feminine gender, it is, I think, as sailors per-

sonify a ship, or engine-drivers a locomotive. That is to

say, the general perception of the sum of related parts or

system, that we call Nature, does not include the idea of

the originating will, or first or final, cause of all. That,

we conceive of as something essentially distinct from

Nature, though animating Nature, and give it another

name, such as Great Spirit, or Creator, or God. Those

who contend that Nature is all, and that there is nothing

above or beyond or superior to Nature, do so, I think, by

confounding two distinct conceptions, and using the word

Nature as meaning what is usually distinguished by the

word God.

We all, indeed, frequently use the word Nature to

avoid the necessity of naming that which we feel to be

unnamable, in the sense of being beyond our comprehen-

sion, and therefore beyond our power of defining. Yet I

think that not merely the almost universal, but the clearest,

and therefore best, perceptions of mankind, really dis-

tinguish what we call Nature from what we call God, just

as we distinguish the ship, or other machine, that we per-

sonify, from the will which we recognize as exerted in its

origination and being; and that at the bottom our idea is

that of Pope :

All are but parts of one stupendous whole,

Whose body Nature is, and God the soul.

It is from this conception of Nature as expressing or as

animated by the highest will, that we derive, I think, the

term " law of Nature."

We come here to another instance of the application to

greater things of names suggested by the less. In original

meaning, the word law refers to human will, and is the

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name given to a command or rule of conduct imposed

by a superior upon an inferior, as by a sovereign or state

upon those subject to it. At first the word law doubtless

referred only to human law. But when, later in intellec-

tual development, men came to note invariable coexis-

tences and sequences in the relations of external things,

they were, of the mental necessity already spoken of, com-

pelled to assume as cause a will superior to human will,

and adapting the word they were wont to use for the

highest expression of human will, called them laws of

Nature.

Whatever we observe as an invariable relation of things,

of which in the last analysis we can affirm only that "it

is always so," we call a law of Nature. But though we use

this phrase to express the fact of invariable relation,

something more than this is suggested. The term itself

involves the idea of a causative will. As John Stuart Mill,

trained to analysis from infancy, and from infancy exempt

from theological bias, says :

The expression "law of Nature " is generally employed by scientific

men with a sort of tacit reference to the original sense of the word

law, namely, the expression of the will of a superior— the superior,

in this instance, being the Ruler of the universe.

Thus, then, when we find in Nature certain invariable

sequences, whose cause of being transcends the power of

the will testified to by our own consciousness— such, for

instance, as that stones and apples always fall towards the

earth ; that the square of a hypothenuse is always equal to

the sum of the squares of its base and perpendicular ; that

gases always coalesce in certain definite proportions ; that

one pole of the magnet always attracts what the other

always repels; that the egg of one bird subjected to a

certain degree of warmth for a certain time brings forth a

chick that later will clothe itself with plumage of a certain

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kind and color, and the egg of another bird under the same

conditions brings forth a chick of a different kind ; that at

a certain stage of infancy teeth appear, and later decay and

drop out j and so on through the list of invariable sequences

that these will suggest— we say, for it is really all that we

can say, that these sequences are invariable because they

belong to the order or system of Nature ; or, in short, that

they are "laws of Nature."

The dog and cow sometimes look wise enough to be

meditating on anything. If they really could bother their

heads with such matters or express their ideas in speech,

they would probably say that such sequences are invari-

able, and then rest. But man is impelled by his endow-

ment of reason to seek behind fact for cause. For that

something cannot come from nothing, that every conse-

quence implies a cause, lies at the very foundation of our

perception of causation. To deny or ignore this would be

to cease to reason— which we can no more cease in some

sort of fashion to do than we can cease to breathe.

Thus, whether civilized or uncivilized, man is compelled,

of mental necessity, to look for cause beneath the phe-

nomena that he begins really to consider, and no matter

what intermediate cause he may find, cannot be content

until he reaches will and finds or assumes intent. This

necessity is universal to human nature, for it belongs to

that quality or principle of reason which essentially dis-

tinguishes man from the brute. The notion that—

The heathen in his blindness,

Bows down to wood and stone,

is of the real ignorance of pretended knowledge. Beneath

the belief of the savage in totems and amulets and charms

and witchcraft lurks the recognition of spirit; and the

philosophies that have hardened into grotesque forms of

religion contain at bottom that idea of an originating will

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which the Hebrew Scriptures express in their opening

sentence : " In the beginning God created the heaven and

the earth."

To such recognition of will or spirit, reason, as it

searches from effect for cause, must come before it can

rest content. Beyond this, reason cannot go. Why is it

that some things always coexist with other things 1 and

that some things always follow other things 1 The Mo-

hammedan will answer : " It is the will of God." The man

of our Western civilization will answer : " It is a law of

Nature." The phrase is different, but the answer one.

CHAPTER Vm.

OP THE KNOWLEDGE PROPERLY CALLED

SCIENCE.

SHOWING THAT SCIENCE DEAI£ ONLY WITH LAWS OP NA-

TUKE, AND THAT IN THE CURRENT POLITICAL ECONOMY

THIS HAS BEEN FORGOTTEN.

Proper meaning of science— It investigates laws of nature, not

laws of man— Distinction between the two— Their confusion in

the current political economy— Mason and Lalor's "Primer of

Political Economy" quoted— Absurdity of this confusion— Tur-

got on the cause of such confusions.

SCIENCE is a word much abased just now, when all

sorts of pretenders to special knowledge style them-

selves scientists and all sorts of ill- verified speculations are

called sciences ; yet it has a well-defined, proper meaning

which may easily be kept in mind. Literally, the word

science means knowledge, and when used to distinguish

a particular kind of knowledge, should have the meaning

of the knowledge— that is, of the highest and deepest

knowledge. This is, indeed, the idea which attaches to

the word. In its proper and definite meaning, science

does not include all knowledge or any knowledge, but that

knowledge by or in which results or phenomena are related

to what we assume to be their cause or sufficient reason,

and call a law or laws of nature.

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As the knowledge we call skill is that part of knowledge

which comes closest to the individual, being retained in

the subconscious memory, and hence nearly or completely

incommunicable ; so, on the contrary, science properly so

called is that part of knowledge which comes closer to the

higher faculty of reason, being retained in the conscious

memory, and hence most easily and completely commu-

nicable through the power of speech in which reason finds

expression, and through the arts that are extensions of and

subservient to speech, such as writing, printing and the

like. Something of skill even animals may acquire.

Trained dogs, trained goats, trained monkeys and trained

bears are common, and even what are called trained fleas

are exhibited. But it is impossible to teach an animal

science, since animals lack the causal faculty by which

alone science is apprehended. It is in youth, when the

joints are most flexible and the muscles most supple, that

skill is most readily acquired. But it is in the years that

bring the contemplative mind that we most appreciate and

best acquire science. And so, while the advantages of

civilization do not imply increased skill, they do imply the

extension of science.

With human laws what is properly called science has

nothing whatever to do, unless it be as phenomena which

it subjects to examination in the effort to discover in

natural law their cause. Thus there may be a science of

jurisprudence, or a science of legislation, as there may be

a science of grammar, a science of language, or a science

of the mental structure and its operations. But the object

of such sciences, properly so called, is always to discover

the laws of nature in which human laws, customs and

modes of thought originate—the natural laws which lie

behind and permanently affect, not merely all external

manifestations of human will, but even the internal affec-

tions of that will itself.

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Human laws are made by man, and share in all his

weaknesses and frailties. They must be enforced by

penalties subsequent to and conditioned upon their viola-

tion. Such penalties are called sanctions. Unless ac-

companied by some penalty for its violation, no act of

legislative body or sovereign prince becomes law. Lack-

ing sanction, it is merely an expression of wish, not a

declaration of will. Human laws are acknowledged only

by man ; and that not by all men in all times and places,

but only by some men— that is, by men living in the time

and place where the political power that imposes them has

the ability to enforce their sanctions ; and not even by all

of these men, but generally by only a very small part of

them. Limited to the circumscribed areas which we call

political divisions, they are even there constantly fluctuat-

ing and changing.

Natural laws, on the other hand, belong to the natural

order of things ; to that order in which and by which not

only man himself but all that is, exists. They have no

sanctions in the sense of penalties imposed upon their

violation, and enforced subsequent to their violation ; they

cannot be violated. Man can no more resist or swerve a

natural law than he can build a world. They are acknow-

ledged not only by all men in all times and places, but also

by all animate and all inanimate things ; and their sway

extends not merely over and throughout the whole earth

of which we are constantly changing tenants, but over and

through the whole system of which it is a part, and so far

as either observation or reason can give us light, over and

through the whole universe, visible or invisible. So far

as we can see, either by observation or by reason, they

know not change or the shadow of turning, but are the

same— yesterday, to-day, to-morrow; for they are expres-

sions, not of the mutable will of man, but of the immutable

will of God.

Chap.VIII. KNOWLEDGE PBOPEBLY CALLED SCIENCE. 61

I dwell again on the distinction between laws of nature

and laws of man, because it is of the first necessity in be-

ginning the study of political economy that we should

grasp it firmly and keep it clearly in mind. This necessity

is the greater, since we shall find that in the accredited

economic treatises laws of nature and laws of man are

confused together in what they call laws of political

economy.

It is not worth while to make many quotations to show

a confusion which one may see by taking up the economic

work approved by college or university that first comes to

his hand ; but that what passes in these institutions for

the science of political economy may speak for itself, I

shall make one quotation.

I take for that purpose the best book I can find that puts

into compact form the teachings of the scholastic econo-

mists—one that is, I think, superior in this to Mrs. Millicent

Garrett Fawcettfs "Political Economy for Beginners,"

which at the time I wrote " Progress and Poverty w seemed

to me the best short statement of accepted economic teach-

ings I then knew of. It is " The Primer of Political Econ-

omy, in Sixteen Definitions and Forty Propositions/' by

Alfred B. Mason and John J. Lalor (Chicago, A. C. McGlurg

& Co.)\* Messrs. Mason and Lalor, who have since proved

themselves to be men of ability, were in 1875, when they

wrote the primer, fresh from a university course of political

economy and a subsequent study of the approved authori-

ties, and their primer has been widely indorsed and largely

used in institutions of learning. This is the first of their

sixteen definitions, and their explanation of it :

\* In writing this book I have vainly tried to find some such con-

densation that would do for the "new-school" scholastic economy

what Mrs. Fawcett and Messrs. Mason and Lalor have done for the

old, and can only conclude that its teachings are too vague to permit

of such condensation.

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62 THE MEANING OF POLITICAL ECONOMY. Book I.

DEFINITION I. —Political Economy is the Science which teaches

the laws that regulate the Production, Distribution and Exchange

of Wealth.

Everything in this world is governed by law. Human laws are

those made by man. All others are natural laws. A law providing

for the education of children in schools is a human law. The law

that children shall keep growing, if they live, until they are men and

women, and shall then slowly decay and at last die, is a natural law.

An apple falls from a tree and the earth moves around the sun in

obedience to natural laws. The laws which regulate the production,

distribution and exchange of wealth are of both kinds. The more

important ones, however, are natural.

In this Messrs. Mason and Lalor aptly illustrate the

essential difference between natural law and human law.

But the way in which the two are mixed together as eco-

nomic laws suggests the examination-paper of a Philadel-

phia boy more interested in hooking catfish and stoning

frogs than in Lindley Murray. To the question, "Name

and describe nouns ? w the answer was:

Nouns are three in number and sometimes more. There are

proper nouns, common nouns, bloody nouns\* and other nouns.

Froper nouns are the properest nouns, but common nouns are the

commonest. Bloody nouns are the big ones. Other nouns are no

good.

Yet ridiculous as is this confusion of human law and

natural law, and absurd as is a definition that leaves one

to guess which is meant by "laws," this little primer cor-

rectly gives what is to be found in the pretentious treatises

it endeavors to condense— and that even in the most

systematic and careful of them, as I shall hereafter have

occasion to show.

It is only with the implication that by law is meant

natural law, that we can say, " Everything in this world is

\* A name given by boys in Philadelphia to large bullfrogs.

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governed by law." To say, as the little summary of the

scholastic political economy from which I have quoted

says, that political economy is the science which teaches

the laws, some of them natural laws and some of them

human laws, which regulate the production, distribution

and exchange of wealth, is like saying that astronomy is

the science which teaches the laws, some of them laws of

matter and motion and some of them Bulls of Popes and

Acts of Parliament, which regulate the movements of stars

and comets.

The absurdity of this is not so strikingly obvious in the

ponderous treatises from which it is derived as in this little

primer, because the attention of the reader is in them con-

fused by the utter want of logical arrangement, and dis-

tracted by the shoveling in on him, as it were, of great

masses of irrelevant matter, which makes it a most difficult,

and with the majority of readers an utterly hopeless task

to dig out what is really meant— a task usually abandoned

by the ordinary reader with a secret feeling of shame at

his own incapacity to follow such deep and learned men,

who seem lightly to revel in what he cannot understand.

The expositions of what passes for the science of political

economy in our schools do indeed for the most part con-

tain some things that really belong to science. But in far

larger part what properly belongs to science is, in the

literature of political economy that has grown up since

his time, confused and overlaid with what Turgot, over a

hundred years ago, spoke of as an art— the art, namely,

" of those who set themselves to darken things that are

clear to the open mind."

What this truly great Frenchman of the eighteenth cen-

tury said is worth quoting, for it finds abundant and con-

stant illustration in the writings of the professors of

political economy of the nineteenth century, and especially

in the latest of them :

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This art consists in never beginning at the beginning, bnt in rush-

ing into the subject in all its complications, or with some fact that

is only an exception, or some circumstance, isolated, far-fetched or

merely collateral, which does not belong to the essence of the ques-

tion and goes for nothing in its solution. . . . Like a geometer who

treating of triangles should begin with white triangles as most sim-

ple, in order to treat afterwards of blue triangles, then of red trian-

gles, and so on.

If political economy is a science— and if not it is hardly

worth the while of earnest men to bother themselves with

it— it must follow the rules of science, and seek in natural

law the causes of the phenomena which it investigates.

With human law, except as furnishing illustrations and

supplying subjects for its investigation, it has, as I have

already said, nothing whatever to do. It is concerned

with the permanent, not with the transient ; with the laws

of nature, not with the laws of man.

CHAPTER IX.

THE ECONOMY CALLED POLITICAL ECONOMY.

SHOWING THE MEANING, UNITS AND SCOPE OP POLITICAL

ECONOMY.

The word economy— The word political— Origin of the term "political

economy n and its confusions— It is not concerned with the body

politic, but with the body economic— Its units, and the system op

arrangement of which it treats— Its scope.

THE word economy, drawn from two Greek words,

house and law, which together signify the manage-

ment or arrangement of the material part of household

or domestic affairs, means in its most common sense the

avoidance of waste. We economize money or time or

strength or material when we so arrange as to accomplish

a result with the smallest expenditure. In a wider sense

its meaning is that of a system or arrangement or adapta-

tion of means to ends or of parts to a whole. Thus, we

speak of the economy of the heavens ; of the economy of

the solar system ; the economy of the vegetable or animal

kingdoms ; the economy of the human body ; or, in short,

of the economy of anything which involves or suggests the

adaptation of means to ends, the coordination of parts in

a whole.

As there is an economy of individual affairs, an economy

of the household, an economy of the farm or workshop

or railway, each concerned with the adaptation in these

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spheres of means to ends, by which waste is avoided and

the largest results obtained with the least expenditure, so

there is an economy of communities, of the societies in

which civilized men live— an economy which has special

relation to the adaptation or system by which material

wants are satisfied, or to the production and distribution

of wealth.

The word political means, relating to the body of citi-

zens or state, the body politic ; to things coming within the

scope and action of the commonwealth or government; to

public policy.

Political economy, therefore, is a particular kind of

economy. In the literal meaning of the words it is that

kind of economy which has relation to the community or

state ; to the social whole rather than to individuals.

But the convenience which impels us to abbreviate a

long term has led to the frequent use of " economic " when

" politico-economic " is meant, so that we may by usage

speak of the literature or principles or terms of political

economy as "economic literature," or "economic princi-

ples," or " economic terms." Some recent writers, indeed,

seem to have substituted the term " economics " for politi-

cal economy itself. But this is a matter as to which the

reader should be on his guard, for it has been used to make

what is not really political economy pass for political econ-

omy, as I shall hereafter show.

Adam Smith, who at the close of the last century gave

so powerful an impulse to the study of what has since been

called political economy that he is, not without justice,

spoken of as its father, entitled his great book, "An

Inquiry into the Nature and Causes of the Wealth of

Nations ;" and what we call political economy the Germans

call national economy.

No term is of importance if we rightly understand what

it means. But, both jn the term " political economy," and

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in that of "national economy," as well as in the phrase

" wealth of nations," lurk suggestions which may and in

fact often do interfere with a clear apprehension of the

ground they properly cover.

The use of the term " political economy " began at a time

when the distinction between natural law and human law

was not clearly made, when what I have called the body

economic was largely confounded with what is properly

the body politic, and when it was the common opinion in

Europe, even of thoughtful men, that the production and

distribution of wealth were to be regulated by the legisla-

tive action of the sovereign or state.

The first one to use the term is said to have been

Antoine de Montchretien in his "Treatise on Political

Economy " (" Trait6 de P6conomie politique "), published in

Rouen, Prance, 1615. But if not invented by them, it was

given currency, some 130 or 140 years after, by those

French exponents of natural right, or the natural order,

who may to-day be best described as the first single-tax

men. They used the term "political economy" to distin-

guish from politics the branch of knowledge with which

they were concerned, and from this called themselves

Economists. The term is used by Adam Smith only in

speaking of " this sect," composed of " a few men of great

learning and ingenuity in Prance." But although these

Economists were overwhelmed and have been almost for-

gotten, yet of their "noble and generous system" this

term remained, and since the time of Adam Smith it has

come into general use as expressive of —to accept the most

common and I think sufficient definition— that branch of

knowledge that treats of the nature of wealth, and the laws

of its production and distribution.

But the confusion with politics, which the Frenchmen

of whom Adam Smith speaks endeavored to clear away

by their adoption of the term "political economy," still coji-

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tinues, and is in fact suggested by the term itself, which

seems at first apt to convey the impression of a particular

kind of politics rather than of a particular kind of econ-

omy. The word political has a meaning which relates it

to civil government, to the exercise of human sovereignty

by enactment or administration, without reference to those

invariable sequences which we call natural laws. An area

differentiated from other areas with reference to this

power of making municipal enactments and compelling

obedience to them, we style a political division ; and the

larger political divisions, in which the highest sovereignty

is acknowledged, we call nations. It is therefore impor-

tant to keep in mind that the laws with which political

economy primarily deals are not human enactments or

municipal laws, but natural laws; and that they have

no more reference to political divisions than have the

laws of mechanics, the laws of optics or the laws of gravi-

tation.

It is not with the body politic, but with that body social

or body industrial that I have called the body economic,

that political economy is directly concerned ; not with the

commonwealth of which a man becomes a member by the

attribution or acceptance of allegiance to prince, potentate

or republic ; but with the commonwealth of which he be-

comes a member by the fact that he lives in a state of

society in which each does not attempt to satisfy all of his

own material wants by his own direct efforts, but obtains

the satisfaction of some of them at least through the

cooperation of others. The fact of participation in this

cooperation does not make him a citizen of any particular

state. It makes him a civilized man, a member of the

civilized world— a unit in that body economic to which

our political distinctions of states and nations have no

. more relation than distinctions of color have to distinctions

of form.

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The unit of human life is the individual. Prom our first

consciousness, or at least from our first memory, our

deepest feeling is, that what we recognize as " l n is some-

thing distinct from all other things, and the actual merge-

ment of its individuality in other individualities, however

near and dear, is something we cannot conceive of. But

the lowest unit of which political economy treats often

includes the family with the individual. For though

isolated individuals may exist for a while, it is only under

unnatural conditions. Human life, as we know it, begins

with the conjuncture of individuals, and even for some

time after birth can continue to exist only under conditions

which make the new individual dependent on and subject

to preceding individuality ; while it requires for its fullest

development and highest satisfactions the union of indi-

viduals in one economic unit.

While, then, in treating of the subject-matter of political

economy, it will be convenient to speak of the units we

shall have occasion to refer to as individuals, it should be

understood that this term does not necessarily mean sepa-

rate persons, but includes, as one, those so bound together

by the needs of family life as to have, as our phrase is,

" one purse."

An economy of the economic unit would not be a polit-

ical economy, and the laws of which it would treat would

not be those with which political economy is concerned.

They would be the laws of personal or family conduct.

An economy of the individual or family could treat the

production of wealth no further than related to the pro-

duction of such a unit. And though it might take cog-

nizance of the physical laws involved in its agriculture and

mechanics, of the distribution of wealth in the economic

sense it could not treat at all, since any apportionment

among the members of such a family of wealth obtained

by it would be governed by the laws of individual or family

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life, and not by any law of the distribution of the restdts

of socially conjoined effort.

But when in the natural course of human growth and

development economic units come into such relations that

the satisfaction of material desires is sought by conjoined

effort, the laws which political economy seeks to discover

begin to appear.

The system or arrangement by which in such conditions

material satisfactions are sought and obtained may be

roughly likened to a machine fed by combined effort, and

producing joint results, which are finally divided or dis-

tributed in individual satisfactions— a machine resem-

bling an old-time grist-mill to which individuals brought

separate parcels of grain, receiving therefrom in meal, not

the identical grain each had put in, nor yet its exact equiva-

lent, but an equivalent less a charge for milling.

Or to make a closer illustration : The system or arrange-

ment which it is the proper purpose of political economy

to discover may be likened to that system or arrangement

by which the physical body is nourished. The lowest unit

of animal life, so far as we can see, is the single cell, which

sucks in and assimilates its own food ; thus directly satis-

fying what we may style its own desires. But in those

highest forms of animal life of which man is a type, myr-

iads of cells have become conjoined in related parts and

organs, exercising different and complex functions, which

result in the procurement, digestion and assimilation of

the food that nourishing each separate cell maintains the

entire organism. Brain and stomach, hands and feet,

eyes and ears, teeth and hair, bones, nerves, arteries and

veins, still less the cells of which all these parts are com-

posed, do not feed themselves. Under the government of

the brain, what the hands, aided by the legs, assisted by

the organs of sense, procure, is carried to the mouth, mas-

ticated by the teeth, taken by the throat to the alembic of

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the stomach, where aided by the intestines it is digested,

and passing into a fluid containing all nutritive substances,

is oxygenized by the lungs ; and impelled by the pumping

of the heart, makes a complete circuit of the body through

a system of arteries and veins, in the course of which

every part and every cell takes the nutriment it requires.

Now, what the blood is to the physical body, wealth, as

we shall hereafter see more fully, is to the body economic.

And as we should find, were we to undertake it, that a

description of the manner in which blood is produced and

distributed in the physical body would involve almost, if

not quite, a description of the entire physical man with all

his powers and functions and the laws which govern their

operations ; so we shall find that what is included or in-

volved in political economy, the science which treats of

the production and distribution of wealth, is almost, if

not quite, the whole body social, with all its parts, powers

and functions, and the laws under which they operate.

The scope of political economy would be roughly ex-

plained were we to style it the science which teaches how

civilized men get a living. Why this idea is sufficiently

expressed as the production and distribution of wealth will

be more fully seen hereafter ; but there is a distinction as

to what is called getting a living that it may be worth

while here to note.

We have but to look at existing facts to see that there

are two ways in which men (i.e., some men) may obtain

satisfaction of their material desires for things not freely

supplied to them by nature.

The first of these ways is, by working, or rendering

service.

The second is, by stealing, or extorting service.

But there is only one way in which man (i.e., men in

general or all men) can satisfy his material desires— that

is by working, or rendering service.

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For it is manifestly impossible that men in general or

all men, or indeed any but a small minority of men, can

satisfy their material desires by stealing, since in the

nature of things working or the rendering of service is the

only way in which the material satisfactions of desire can

be primarily obtained or produced.

Stealing produces nothing ; it only alters the distribution

of what has already been produced.

Therefore, however it be that stealing is to be considered

by an individual economy or by an economy of a political

division, and with whatever propriety a successful thief

who has endowed churches and colleges and libraries and

soup-houses may in such an economy be treated as a public

benefactor and spoken of as Antony spoke of Caesar-

He hath brought many captives home to Borne,

Whose ransoms did the general coffers nil,

—a true science of political economy takes no cognizfcnce

of stealing, except in so far as the various forms of it may

pervert the natural distribution, and thus check the nat-

ural production of wealth.

Yet, at the same time, political economy does not con-

cern itself with the character of the desires for which sat-

isfaction is sought. It has nothing to do, either with the

originating motive that prompts to action in the satisfac-

tion of material desires, nor yet with the final satisfaction

which is the end and aim of that action. It is, so to speak,

like the science of navigation, which is concerned with the

means whereby a ship may be carried from point to point

on the ocean, but asks not whether that ship may be a

pirate or a missionary barque, what are the expectations

which may induce its passengers to go from one place to

another, or whether or not these expectations will be grati-

fied on their arrival Political economy is not moral or

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ethical science, nor yet is it political science. It is the

science of the maintenance and nutriment of the body

politic.

Although it will be found incidentally to throw a most

powerful light upon, and to give a most powerful support

to, the teachings of moral or ethical science, its proper

business is neither to explain the difference between right

and wrong nor to persuade to one in preference to the

other. And while it is in the same way what may be

termed the bread-and-butter side of politics, it is directly

concerned only with the natural laws which govern the

production and distribution of wealth in the social organ-

ism, and not with the enactments of the body politic or

state.

CHAPTER X.

THE ELEMENTS OF POLITICAL ECONOMY.

SHOWING HOW POLITICAL ECONOMY SHOULD PROCEED AND

WHAT RELATIONS IT SEEKS TO DISCOVER.

How to understand a complex system— It is the purpose of such a

system that political economy seeks to discover— These laws, nat-

ural laws of human nature— The two elements recognized by po-

litical economy— These distinguished only by reason— Human

will affects the material world only through laws of nature— It is

the active factor in all with which political economy deals.

TO understand a complex machine the best way is first

to see what is the beginning and what the end of its

movements, leaving details until we have mastered its gen-

eral idea and comprehended its purpose. In this way we

most easily see the relation of parts to each other and to the

object of the whole, and readily come to understand to the

minutest movements and appliances what without the clue

of intention might have hopelessly perplexed us.

When the safety bicycle was yet a curiosity even in the

towns of England and the United States, an American

missionary in a f ar-off station received from an old friend,

unaccompanied by the letter intended to go with it, a

present of one of these machines, which for economy in

transportation had not been set up, but was forwarded in

its unassembled parts. How these parts were to be put

together was a perplexing problem, for neither the mission.

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ary himself nor any one he could consult could at first

imagine what the thing was intended to do, and their

guesses were of almost everything but the truth, until at

length the saddle suggested a theory, which was so suc-

cessfully followed that by the time, months afterwards,

another ship brought the missing letter, the mission-

ary was riding over the hard sand of the beach on his

wheel.

In the same way an intelligent savage, placed in a great

industrial hive of our civilization before some enormous

factory throbbing and whirring with the seemingly inde-

pendent motion of pistons and wheels and belts and looms,

might, with no guide but his own observation and reason,

soon come to see the what, the how and the why of the

whole as a connected device for using the power obtained

by the transformation of coal into heat in the changing of

such things as wool, silk or cotton into blankets or piece-

goods, stockings or ribbons.

Now the reason which enables us to understand the

works of man as soon as we discover the reason that has

brought them into existence, also enables us to interpret

nature by assuming a like reason in nature. The child's

question, " What is it for ? "—what is its purpose or intent t

—is the master key that enables us to turn the locks that

hide nature's mysteries. It is in this way that all dis-

coveries in the field of the natural sciences have been

made, and this will be our best way in the investigation

we are now entering upon. The complex phenomena of

the production and distribution of wealth in the elaborate

organization of modern civilization will only puzzle us, as

the many confused and confusing books written to explain

it show, if we begin, as it were, from the middle. But if

we seek first principles and trace out main lines, so as to

comprehend the skeleton of their relation, they will readily

become intelligible.

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The immense aggregate of movements by which, in

civilization, wealth is produced and distributed, viewed

collectively as the subject of political economy, constitute

a system or arrangement much greater than, yet analogous

to, the system or arrangement of a great factory. In the

attempt to understand the laws of nature, which they illus-

trate and obey, let us avoid the confusion that inevitably

attends beginning from the middle, by proceeding in the

way suggested in our illustration— the only scientific way.

These movements, so various in their modes, and so

complex in their relations, with which political economy

is concerned, evidently originate in the exertion of human

will, prompted by desire ; their means are the material and

forces that nature offers to man and the natural laws which

these obey; their end and aim the satisfaction of man's

material desires. If we try to call to mind as many as we

can of the different movements that are included in the

production and distribution of wealth in modern civiliza-

tion—the catching and gathering, the separating and

combining, the digging and planting, the baking and

brewing, the weaving and dyeing, the sewing and washing,

the sawing and planing, the melting and forging, the

moving and transporting, the buying and selling— we

shall see that what they all aim to accomplish is some sort

of change in the place, form or relation of the materials

or forces supplied by nature so as better to satisfy human

desire.

Thus the movements with which political economy is

concerned are human actions, having for their aim the

attainment of material satisfactions. And the laws that it

is its province to discover are not the laws manifested in

the existence of the materials and forces of nature that

man thus utilizes, nor yet the laws which make possible

their change in place, form or relation, but the laws of

man's own nature, which affect his own actions in the

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endeavor to satisfy his desires by bringing about such

changes.

The world, as it is apprehended by human reason, is by

that reason resolvable, as we have seen, into three elements

or factors— spirit, matter and energy. But as these three

ultimate elements are conjoined both in what we call man

and in what we call nature, the world regarded from the

standpoint of political economy has "for its original ele-

ments, man and nature. Of these, the human element is

the initiative or active factor— that which begins or acts

first. The natural element is the passive factor— that

which receives action and responds to it. From the

interaction of these two proceed all with which political

economy is concerned— that is to say, all the changes that

by man's agency may be wrought in the place, form or

condition of material things so as better to fit them for

the satisfaction of his desires.

Between the material things which come into existence

through man's agency and those which come into existence

through the agency of nature alone, the difference is as

clear to human reason as the difference between a moun-

tain and a pyramid, between what was on the shores of

Lake Michigan when the caravels of Columbus first plowed

the waters of the Caribbean Sea and the wondrous White

City, beside which in 1893 the antitypes of those caravels,

by gift of Spain, were moored. Yet it eludes our senses

and can be apprehended only by reason.

Any one can distinguish at a glance, it may be said,

between a pyramid and a mountain, or a city and a forest.

But not by the senses uninterpreted by reason. The ani-

mals, whose senses are even keener than ours, seem inca-

pable of making the distinction. In the actions of the most

intelligent dog you will find no evidence that he recognizes

any difference between a statue and a stone, a tobacconist's

wooden Indian and the stump of a tree. And things are

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now manufactured and sold as to which it requires an

expert to tell whether they are products of man or products

of nature.

For the essential thing that in the last analysis distin-

guishes man from nature can, on the material plane that

is cognizable by the senses, appear only in the garb and

form of the material. Whatever man makes must have

for its substance preexisting matter j whatever motion he

exerts must be drawn from a preexisting stock of energy.

Take away from man all that is contributed by external

nature, all that belongs to the economic factor land, and

you have, what? Something that is not tangible by the

senses, yet which is the ultimate recipient and final cause

of sensation ; something which has no form or substance

or direct power in or over the material world, but which

is yet the originating impulse which utilizes motion to

mold matter into forms it desires, and to which we must

look for the origin of the pyramid, the caravel, the indus-

trial palaces of Chicago and the myriad marvels they con-

tained.

I do not wish to raise, or even to refer further than is

necessary, to those deep problems of being and genesis

where the light of reason seems to fail us and twilight

deepens into dark. But we must grasp the thread at its

beginning, if we are to hope to work our way through a

tangled skein. And into what fatal confusions those fall

who do not begin at the beginning may be seen in current

economic works, which treat capital as though it were the

originator in production, labor as though it were a product,

and land as though it were a mere agricultural instrument

—a something on which cattle are fed and wheat and

cabbages raised.

We cannot really consider the beginning of things, so

far as a true political economy is forced to concern itself

with them, without seeing that when man came into the

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world the sum of energy was not increased nor that of

matter added to ; and that so it must be to-day. In all the

changes that man brings abont in the material world, he

adds nothing to and subtracts nothing from the sum of

matter and energy. He merely brings about changes in

the place and relation of what already exists, and the first

and always indispensable condition to his doing anything

in the material world, and indeed to his very existence

therein, is that of access to its material and forces.

So far as we can see, it is universally true that matter

and energy are indestructible, and that the forms in which

we apprehend them are but transmutations from forms

they have held before ; that the inorganic cannot of itself

pass into the organic ; that vegetable life can only come

from vegetable life; animal life from animal life; and

human life from human life. Notwithstanding all specu-

lation on the subject, we have never yet been able to trace

the origin of one well-defined species from another well-

defined species. Yet the way in which we find the orders

of existence superimposed and related, indicates to us design

or thought— a something of which we have the first

glimpses only in man. Hence, while we may explain the

world of which our senses tell us by a world of which our

senses do not tell us, a world of what Plato vaguely called

ideas, or what we vaguely speak of as spirit, yet we are

compelled when we would seek for the beginning cause

and still escape negation to posit a primary or all-causative

idea or spirit, an all-producer or creator, for which our

short word is God.

But to keep within what we do know. In man, con-

scious will— that which feels, reasons, plans and contrives,

in some way that we cannot understand— is clothed in

material form. Coming thus into control of some of the

energy stored up in our physical bodies, and learning, as

we may see in infancy, to govern arms, legs and a few

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other organs, this conscious will seeks through them to

grasp matter and to set to work, in changing its place and

form, other stores of energy. The steam-engine rushing

along with its long train of coal or goods or passengers,

is in all that is evident to our senses but a new form of

what previously existed. Everything of it that we can

see, hear, touch, taste, weigh, measure or subject to chem-

ical tests, existed before man was. What has brought

preexisting matter and motion to the shape, place and

function of engine and train is that which, prisoned in

the engineer's brain, grasps the throttle ; the same thing

that in the infant stretches for the moon, and in the child

makes mud-pies. It is this conscious will seeking the

gratification of its desires in the alteration of material

forms that is the primary motive power, the active factor,

in bringing about the relations with which political econ-

omy deals. And while, whatever be its origin, this will is

in the world as we know it an original element, yet it can

act only in certain ways, and is subject in that action to

certain uniform sequences, which we term laws of nature.

CHAPTER XI.

OP DESIRES AND SATISFACTIONS.

SHOWING THE WIDTH AND IMPORTANCE OP THE FIELD OP

POLITICAL ECONOMY.

Action springs from desire and seeks satisfaction— Order of desires—

Wants or needs— Subjective and objective desires— Material and

immaterial desires— The hierarchy of life and of desires.

A LL human actions— at least all conscious and voluntary

XjL actions— -are prompted by desire, and have for their

aim its satisfaction. It may be a desire to gain something

or a desire to escape something, as to obtain food or to

enjoy a pleasing odor, or to escape cold or pain or a noi-

some smell ; a desire to benefit or give pleasure to others,

or a desire to do them harm or give them pain. But

whether positive or negative, physical or mental, benefi-

cent or injurious, so invariably is desire the antecedent

of action that when our attention is called to any human

action we feel perplexed if we do not recognize the ante-

cedent desire or motive, and at once begin to look for it,

confident that it has to the action the relation of cause to

effect.

So confident, indeed, are we of this necessary causal

relation between action and desire, that when we cannot

find, or at least with some plausibility surmise, an ante-

cedent desire of which the action is an expression, we will

not believe that the action took place, or at the least, will

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not believe that it was a voluntary, conscious action, but

will assume, as the older phraseology put it, that the man

was possessed by some other human or extr^-human will ;

or, as the more modern phrase puts it, that he was insane.

For so unthinkable is conscious, voluntary action without

antecedent desire, that we will reject the testimony of

others or even the testimony of our own senses rather than

believe that a conscious act can take place without motive.

And as desire is the prompter, and the satisfaction of

desire is the end and aim, of all human action, all that men

seek to do, to obtain or to avoid may be embraced in one

term, as satisfactions, or satisfactions of desire.

But of these desires and their corresponding satisfac-

tions, some are more primary or fundamental than others ;

and it is only as these desires obtain satisfaction that other

desires arise and are felt. Thus the desire for air is per-

haps the most fundamental of all human desires. Yet its

satisfaction is under normal conditions so easily had that

we usually are not conscious of it— it is in fact rather a

latent than an actual desire. But let one be shut off from

air, and the desire to get it becomes at once the strongest

of desires, casting out for the moment all others. So it is

with other desires, such as those for food and drink, the

satisfaction of which is necessary to the maintenance of

life and health and the avoidance of injury and pain, and

which we share in common with the brute. These primary

desires lie as it were beneath, or are fundamental to, the

manifold desires which arise in man when they are satis-

fied. For, while the desires of other animals seem com-,

paratively speaking few and fixed, the desires of man are

seemingly illimitable. He is indeed the never-satisfied

animal ; his desires under normal conditions growing with

his power of satisfying them, without assignable limit.

In the same way as we distinguish between necessities

and luxuries, so do we often distinguish between what we

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call " wants n or " needs " and what we speak of simply as

desires. The desires whose satisfaction is necessary to

the maintenance of life and health and the avoidance of

injnry and pain— those desires, in short, which come

closest to the merely animal plane— we are accustomed to

call "wants" or "needs." At least this is the primary

idea, though as a matter of fact we often speak of needs

or wants in accordance with that usual standard of comfort

which we call reasonable, and which is in a large degree

a matter of habit. And thus while the satisfaction of

desire of some kind is the end and aim of all human

action, we recognize, though vaguely, a difference in rel-

ative importance when we say that the end and aim of

human effort is the satisfaction of needs and the gratifica-

tion of desires.

Without desire man could not exist, even in his animal

frame. And those Eastern philosophies, of which that of

Schopenhauer is a Western version, that teach that the

wise man should seek the extinction of all desire, also

teach that such attainment would be the cessation of in-

dividual existence, which they hold to be in itself an evil.

But in fact, as man develops, rising to a higher plane, his

desires infallibly increase, if not in number at least in

quality, becoming higher and broader in their end and aim.

Now, of human desires and their corresponding satis-

factions, some may be subjective, that is, relating to the

individual mind or thinking subject ; and some objective,

that is, relating to the external world, the object of its

thought. And by another distinction, some may be said

to be immaterial, that is, relating to things not cognizable

by the senses, t.e., thought and feeling 5 and some to be

material, that is, relating to things cognizable by the

senses, i.e., matter and energy.

There is a difference between these two distinctions, but

practically it is not a large one. A subjective desire— as

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when I desire greater love or greater knowledge or hap-

piness for and in my own mind— is always an immaterial

desire. But it does not follow that an objective desire is

always a material desire, since I may desire greater love

or knowledge or happiness for and in the mind of another.

Yet we have to remember: 1. That much that we are

prone to consider as immaterial seems to be so only be-

cause the words we use involve a purely ideal abstraction

of qualities from things they qualify, and without which

they cannot exist as things really conceived. Love,

knowledge or happiness presupposes something which

loves, knows or feels, as whiteness presupposes a thing

which is white. 2. That while such qualities as love,

knowledge or happiness may be predicated of objective

though immaterial things, yet, normally at least, we can

have no cognizance of such an immaterial thing, or of its

states or conditions, except through the material. De-

prived of the senses of sight, sound, touch, taste and smell,

the gates through which the ego becomes conscious of the

material world, how, in any normal way, could I or you

know of the love, knowledge, happiness or existence of any

other such being? Except, indeed, there be some direct

way in which spirit may have knowledge of spirit— a way

it may be that is opened when that through the material

by the gates of the senses is closed— the exclusion of the

material is therefore a practical exclusion of the objective.

I speak of this for the purpose of showing how nearly

the field of material desires and satisfactions, within which

the sphere of political economy lies, comes to including all

human desires and satisfactions. And when we consider

how in man the subjective is bound in with the objective,

the spiritual with the material, the importance of material

desires and satisfactions to human life as a whole is even

clearer. For though we may be forced to realize, as the

innermost essential of man, a something that is not

material; yet this spirit or soul, as in this life we know it,

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is incased and imprisoned in matter. Even if subjective

existence be possible without the body, the ego as we know

it, deprived of touch with matter through the senses, would

be condemned to what may be likened to solitary impris-

onment.

As vegetable life is built, so to speak, upon inorganic

existence, and the animal may be considered as a self-

moving plant, plus perhaps an animal soul j so man is an

animal plus a human soul, or reasoning power. And while,

for reasons I have touched on, we are driven when we

think of ultimate origins to consider the highest element

of which we know as the originating element, yet we are

irresistibly compelled to think of it as having first laid the

foundation before raising the superstructure. This is the

profound truth of that idea of evolution which all theories

of creation have recognized and must recognize, but which

is not to be confounded with the materialistic notion of

evolution which has of late years been popularized among

superficial thinkers. The wildest imagination never

dreamed that first of all man came into being ; then the

animals ; afterwards the plants ; then the earth ; and finally

the elementary forces. In the hierarchy of life, as we

know it, the higher is built upon the lower, order on order,

and is as summit to base. And so in the order of human

desires, what we call needs come first, and are of the

widest importance. Desires that transcend the desires of

the animal can arise and seek gratification only when the

desires we share with other animals are satisfied. And

those who are inclined to deem that branch of philosophy

which is concerned with the gratification of material needs,

and especially with the way in which men are fed, clothed

and sheltered, as a secondary and ignoble science, are like

a general so absorbed in the ordering and moving of his

forces as utterly to forget a commissariat ; or an architect

who should deem the ornamentation of a facade more im-

portant than the laying of a foundation.

CHAPTER XII.

THE FUNDAMENTAL LAW OP POLITICAL

ECONOMY.

SHOWING THAT THE LAW FROM WHICH POLITICAL ECONOMY

PROCEEDS IS THAT MEN SEEK TO SATISFY THEIR DESIRES

WITH THE LEAST EXERTION.

Exertion followed by weariness— The fact that men seek to satisfy

their desires with the least exertion— Meaning and analogue—

Exemplified in trivial things— Is a law of nature and the funda-

mental law of political economy— Substitution of selfishness for

this principle— Buckle quoted— Political economy requires no

such assumption— The necessity of labor not a curse.

THE only way man has of satisfying his desires is by

action.

Now action, if continued long enough in one line to

become really exertion, a conscious putting forth of effort,

produces in the consciousness a feeling of reluctance or

weariness. This comes from something deeper than the

exhaustion of energy in what we call physical labor ; for

whoever has tried it knows that one may lie on his back

in the most comfortable position and by mere dint of sus-

tained thinking, without consciously moving a muscle, tire

himself as truly as by sawing wood ; and that the mere

clash and conflict of involuntary or undirected thought or

feeling, or its continuance in one direction, will soon bring

extreme weariness.

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But whatever be its ultimate cause, the fact is that labor,

the attempt of the conscious will to realize its material

desire, is always, when continued for a little while, in itself

hard and irksome. And whether from this fact alone, or

from this fact, conjoined with or based upon something

intuitive to our perceptions, the further fact, testified to

both by observation of our own feelings and actions and

by observation of the acts of others, is that men always

seek to gratify their desires with the least exertion.

This, of course, does not mean that they always succeed

in doing so, any more than the physical law that motion

tends to persist in a straight line means that moving

bodies always take that line. But it does mean the mental

analogue of the physical law that motion seeks the line of

least resistance—that in seeking to gratify their desires

men will always seek the way which under existing physi-

cal, social and personal conditions seems to them to involve

the least expenditure of exertion.

Whoever would see this disposition of human nature

exemplified in trivial things has only to watch the passers-

by in a crowded street, or those who enter or depart from

a frequented house. He will be instructed and perhaps

not a little amused to note how slight the obstruction

or semblance of obstruction that will divert their steps ;

and will see the principle observed by saint and sinner—

by " wicked man on evil errand bent," and " Good Samar-

itan intent on works of mercy P

Whether it proceed from experience of the irksomeness

of labor and the desire to avoid it, or further back than

that, have its source in some innate principle of the human

constitution, this disposition of men to seek the satisfaction

of their desires with the minimum of exertion is so uni-

versal and unfailing that it constitutes one of those in-

variable sequences that we denominate laws of nature, and

from which we may safely reason. It is this law of nature

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that is the fundamental law of political economy— the

central law from which its deductions and explanations

may with certainty be drawn, and, indeed, by which alone

they become possible. It holds the same place in the

sphere of political economy that the law of gravitation

does in physics. Without it there could be no recognition

of order, and all would be chaos.

Yet the failure clearly to apprehend this as the funda-

mental law of political economy has led to very serious

and wide-spread mistakes as to the nature of the science ;

and has indeed, in spite of the vigorous assertions and

assumptions of its accredited professors, prevented it from

truly taking in popular esteem the place of a real science,

or from long holding in scholastic circles the credit it had

for a while gained. For the principle that men always

seek to satisfy their desires with the least exertion, there

has been substituted, from the time that political economy

began to claim the attention of thoughtful men, the prin-

ciple of human selfishness. And with the assumption that

political economy takes into its account only the selfish

feelings of human nature, there have been linked, as laws

of political economy, other assumptions as destitute of

validity.

To show how completely the idea has prevailed that the

foundation of political economy is the assumption of

human selfishness, I shall not stop to quote from the

accredited writers on the subject, nor yet from those who

have made of it a ground of their repugnance to the

political economy that has been with justice styled " the

dismal science "—such as Carlyle, Dickens or Buskin. I

take for that purpose a writer who, while he fully accepted

what was at his time (1857-60) the orthodox political econ-

omy, deeming it " the only subject immediately connected

with the art of government that has yet been raised to a

science," and was well conversant with its literature, was

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not concerned with it as a controversialist, bnt only as a

historian of the development of thought.

Buckle's understanding of political economy was that

it eliminated every other feeling than selfishness. In his

" Inquiry into the Influence Exercised by Religion, Litera-

ture and Government " (Vol. L, Chapter V., of his " History

of Civilization in England"), he says that in the "Wealth

of Nations,'' which he regards as "probably the most

important book which has ever been written," Smith

" generalizes the laws of wealth, not from the phenomena

of wealth, nor from statistical statements, but from the

phenomena of selfishness} thus making a deductive ap-

plication of one set of mental principles to the whole set

of economical facts."

And in his " Examination of the Scotch Intellect during

the Eighteenth Century " (Vol. II., Chapter VI.), he returns

in greater detail to the same subject. Adam Smith, he

says, wrote two great books, with an interval of seventeen

years between them. In both he employed the same

method, that form of deduction "which proceeds by an

artificial separation of facts in themselves inseparable."

In the first of these, the " Theory of Moral Sentiments,"

he " so narrowed the field of inquiry as to exclude from it

all consideration of selfishness as a primary principle, and

only to admit its great antagonist, sympathy." In the

second, the v Wealth of Nations," which Buckle regards as

a correlative part of Smith's one great scheme, though still

greater than its predecessor, Smith, on the contrary, " as-

sumes that selfishness is the main regulator of human

affairs, just as in his previous work he had assumed sym-

pathy to be so." Or, as Buckle, later on, repeats :

Ho everywhere assumes that the" great moving power of all men,

aU interests and all classes, in all ages and in all countries, is selfish-

ness. Tlie opposite power of sympathy he entirely shuts out ; and I

hardly remember an instance in which even the word occurs in the

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whole course of his work. Its fundamental assumption is, that each

man exclusively follows his own interest, or what he deems to be his

own interest. ... In this way Adam Smith completely changes the

premises he had assumed in his earlier work. Here, he makes men

naturally selfish ; formerly, he had made them naturally sympathetic.

Here, he represents them pursuing wealth for sordid objects, and for

the narrowest personal pleasures; formerly, he represented them

as pursuing it out of regard to the sentiments of others, and for the

sake of obtaining their sympathy. In the " Wealth of Nations " we

hear no more of this conciliatory and sympathetic spirit ; such ami-

able maxims are altogether forgotten, and the affairs of the world

are regulated by different principles. It now appears that benevo-

lence and affection have no influence over our actions. Indeed,

Adam Smith will hardly admit common humanity into his theory of

motives. If a people emancipate their slaves, it is a proof, not that

the people are acted on by high moral considerations, nor that their

sympathy is excited by the cruelty inflicted on these unhappy crea-

tures. Nothing of the sort. Such inducements to conduct are

imaginary and exercise no real sway. All that the emancipation

proves, is, that the slaves were few in number, and, therefore, small

in value. Otherwise they would not have been emancipated.

So, too, while in his former work he had ascribed the different

systems of morals to the power of sympathy, he, in this work, ascribes

them entirely to the power of selfishness.

This presumption, so well stated and defended by

Buckle, that political economy must eliminate everything

but the selfish feelings of mankind, has continued to

pervade the accredited political economy up to this time,

whatever may have been the effects upon the common

mind of the attacks made upon it by those, who, not

putting their objections into logical and coherent form,

could be spoken of as sentimentalists, but not political

economists. Yet, however generally the accepted writers

on political economy may have themselves supposed the

assumption of universal selfishness to be the fundamental

principle of political economy, or how much ground they

may have given for such a supposition on the part of their

readers, a true political economy requires no such assump-

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tion. The primary postulate on and from which its whole

structure is built is not that all men are governed only by

selfish motives, or must for its purposes be considered as

governed only by selfish motives ; it is that all men seek

to gratify their desires, whatever those desires may be,

with the least exertion. This fundamental law of political

economy is, like all other laws of nature, so far as we are

concerned, supreme. It is no more affected by the selfish-

ness or unselfishness of our desires than is the law of

gravitation. It is simply a fact.

The irksomeness or weariness that inevitably attends

all continued exertion caused earlier men to look on the

necessity of labor to production as a penalty imposed upon

our kind by an offended Deity. But in the light of modern

civilization we may see that what they deemed a curse is

in reality the impulse that has led to the most enormous

extensions of man's power of dealing with nature. So

true is it that good and evil are not in external things or

in their laws of action, but in will or spirit.

CHAPTER XIII.

METHODS OP POLITICAL ECONOMY.

SHOWING THE NATURE OF THE METHODS OP INVESTIGATION

THAT MAY BE USED IN POLITICAL ECONOMY.

Deductive and inductive schools— "New American Cyclopedia '>

quoted— Triumph of the inductionists— The method of induction

and the method of deduction— Method of hypothesis— Bacon's re-

lation to induction— Real error of the deductionists and the mistake

of the inductionists— Lalor's Cyclopedia quoted— Result of the

triumph of the inductionists— A true science of political econ-

omy must follow the deductive method— Davis's "Elements of

Inductive Logic " quoted— Double assurance of the real postulate

of political economy —Method of mental or imaginative experiment.

A MISCONCEPTION of the fundamental law on which

a science is based must lead to divergences and con-

fusions as the attempt to develop that science proceeds.

In the case of political economy, the result of the as-

sumption that its fundamental principle is human selfish-

ness is shown in disputes and confusions as to its proper

method. These began shortly after it was recognized as

deserving the attention of the institutions of learning, and

are an increasingly noticeable feature in economic litera-

ture for some sixty or seventy years. Adam Smith and

the most prominent of his successors followed the deduc-

tive method. But ere long there began to be questionings

as to whether the inductive method was not the proper

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one. Having on their side the weight of authority, the

defenders of the deductive method, or " old school " politi-

cal economy, as it began to be called, held for a long time

their formal position, though compelled by the incon-

gruities of the system they were endeavoring to uphold to

make damaging deductions and weakening admissions;

while the opposition to them, called by various names, but

generally known as inductive or " new school " economists,

gathered strength.

What lay beneath this contest, which was largely verbal,

and in which there was confusion on both sides, I shall

have occasion to speak of hereafter; but as to how it

seemed to stand in the scholastic world at the beginning

of the seventh decade of our century I quote from the

article " Political Economy " in the " New American Cyclo-

pedia" (1861), which, as written by an opponent of the

then orthodox school (Henry Carey Baird), with an evident

desire to be entirely fair, will I think better show the actual

situation at that time than anything else I can find :

The progress thus far made in political economy has been slow and

uncertain, and there is in its entire range hardly a doctrine or even

the definition of an important word which is universally or even

generally accepted beyond dispute. . . . Amid all their discords and

disagreements it is possible to divide political economists under two

general heads : those who treat the subject as a deductive science,

"in which all the general propositions are in the strictest sense of

the word hypothetical ; " and those who treat it by the inductive or

Baconian method. Of the first-named school are all the English

economists and most of those of continental Europe who have ac-

quired any reputation. As the representatives of the last, Mr. Henry

C. Carey and his followers are most prominent. \*

\* As illustrating the looseness with which the words "inductive"

and "deductive" have been thrown around in this discussion as to

the proper method of political economy, it may be worth mentioning

that the same Henry C. Carey, who is here cited as the most promi-

nent representative of the inductive school, as opposed to the deduo-

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Thus, in 1861, the deductive method, even to the view

of an adherent of the opposing school, still formally held

sway in the scholastic world. But at present, as the cen-

tury nears its close, it has so utterly lost its hold that so

far as I can discover, there is not now a prominent college

or university anywhere in which the professed teachers of

what is reputed to be political economy adhere to what

was then called the deductive method.

Yet this triumph in scholastic opinion of the advocates

of what is called the inductive method is in reality but the

triumph of one set of confusions over another set of con-

fusions, in which the determining element has been the

vague consciousness that the previously authoritative

political economy was not a true political economy.

Where a new set of confusions is pitted against an old

set of confusions, the victory must finally and for a time

remain with the new ; for the reason that on the old lies

the burden of defending what is indefensible, while the

new has for a while only the easier task of attack. What

this passing phase of economic thought really shows is the

utter confusion into which the whole scholastic political

economy has fallen from lack of care as to first principles.

In my view of the matter those who have said that the

deductive method was the proper method of political econ-

omy have been right as to that, but wrong in principles

from which they have made deductions ; while those who

contended for the inductive method have been wrong as

to that, but right as to the weaknesses of their opponents.

As to the course of what has been called the science of

tive school of Smith. Ricardo and Mill, is in the biographical notice

of him in the latest successor of the '\* New American Cyclopedia/\*

the revised edition of "Johnson's Universal Cyclopedia\*\* (1S95\ said

to be \*• the founder of a school of political economy whose principles

are anti-socialistic and more deductive than those of Smith, Ricardo

and Mm."

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political economy and the destructive revolution which it

has of late years undergone, I shall have occasion to speak

in the next book. I am here concerned in clearing only

what might be a perplexity to the reader in regard to the

proper methods of the real science.

The human reason has two ways of ascertaining truth.

The first of these is that of reasoning from particulars to

generals in an ascending line, until we come at last to one

of those invariable uniformities that we call laws of nature.

This method we call the inductive, or a posteriori. But

when we have reached what we feel sure is a law of na-

ture, and as such true in all times and places, then an

easier and more powerful method of ascertaining truth is

open to us— the method of reasoning in the descending

line from generals to particulars. This is the method that

we call the deductive, or a priori method. For knowing

what is the general law, the invariable sequence that we

call a law of nature, we have only to discover that a par-

ticular comes under it to know what is true in the case of

that particular.

In the relation of priority the two methods stand in the

order in which I have named them— induction being the

first or primary method of applying human reason to the

investigation of facts, and deduction being the second or

derivative. So far as our reason is concerned, induction

must give the facts on which we may proceed to deduction.

Deduction can safely be based only on what has been sup-

plied to the reason by induction ; and where the validity

of this first step is called in question, must apply to induc-

tion for proof. Both methods are proper to the careful

investigation that we speak of as scientific : induction in

its preliminary stages, when it is groping for the law of

nature ; deduction when it has discovered that law, and is

thus able to proceed by a short cut from the general to

the particular, without any further need for the more

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laborious and, so to speak, uphill method of induction,

except it may be to verify its conclusions.

There is a further method of investigation, which con-

sists in a combination of these two original methods of

the reason, and which has been found most effective in the

discovery of truth in the physical sciences. When our

inductions so point to the existence of a natural law that

we are able to form a surmise or suspicion of what it may

prove to be, we may tentatively assume the existence of

such a law, and proceed to see whether particulars will fall

into place in deductions made from it. This is the method

of tentative deduction, or hypothesis.

The inductive method is sometimes, as in the last quota-

tion I have made, spoken of as the Baconian method, and

the great name of Bacon has been freely used to give

plausibility to what the advocates of the " new school " in

political economy have called the inductive method. But

whatever originality there may have been in his classifica-

tions and devices, Bacon did not invent the inductive

method. It was by that method that man's reason has

from the first enabled him to apprehend laws of nature

that he has subsequently used as bases for deduction. It

was thus that he must have learned what we are accus-

tomed to think the simplest of nature's uniformities— such

as, that after an interval a new moon succeeds the old

moon ; that the sun, after apparently tending to the south

for a while, turns again to the north ; that fire will burn,

and that water will quench fire. What Bacon did was

not to invent or discover the inductive method, but to

formulate some rules for its application and to apply it to

the investigation of fields of knowledge from which it had

been long shut out by a blind reliance upon authority—

by a false assumption that wiser men who had gone before

had taught all there was worth knowing on certain sub-

jects, and that there remained for those who came after

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nothing farther to do than to make deductions from

premises their predecessors had supplied.

Where the application of the inductive method was

really needed in what is now called by the " new lights "

the " classical" political economy was to test the premises

from which its deductions were made, and to clear them

of what had no better warrant than a disposition to use

political economy to justify existing social arrangements.

It was not needed to take the place of the deductive

method, where that was applicable. For the deductive

method, when applied to the further extension of what

has already been validly ascertained, constitutes the most

powerful means of extending knowledge that the human

mind can avail itself of.

In its use of the deductive method after its premises

had been settled, the classical political economy was not

in error. The error that gave insecurity to its whole

structure lay deeper still, in the insufficient inductions on

which those premises rested. But, instead of addressing

themselves to these flaws in its accepted premises, the

various schools of economists generally classed as induc-

tive have denied that there were any general principles

that could with certainty be laid down as the basis for

deduction. Thus, if such a question be asked them as,

does free trade or protection best promote a general pros-

perity? or, what is the best system of land-tenure? or,

what is the best system of taxation 1 or, what are the limits

of governmental interference with industry, or trade-union

regulations 1 no general answer can be given. It can only

be said that one thing may be best in one place and time,

and another in another place and time, so that the matter

can be determined only by special investigations. In other

words, to quote the phrase of Professor James, of the

University of Pennsylvania, an adherent of the "new

school" (article, "Political Economy," in Lalort "Cyclo-

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pedia of Political Science, Political Economy and United

States History/' 1884), they have opposed "the theory

which seeks eternally valid natural laws in economics,

and which considers the natural condition of unlimited

personal freedom as the only justifiable one, without regard

to the needs of special times and nations."

The result, therefore, of the triumph of the " induction-

ists " over the " deductionists " in the accredited organs of

economic teaching, has been to destroy in the "new"

political economy even the semblance of coherency that

it had in the " old," and to decompose it into a congeries

of unrelated doctrines and unverified speculations which

only its professors can presume to understand, and as to

which they can dispute and quarrel with each other in the

wild abandon that results from the absence of any recog-

nized common principle.

But to me it seems clear that if political economy can

be called a science at all, it must as a science, that is to

say from the moment the laws of nature on which it

depends are discovered, follow the deductive method of

examination, using induction only to test the conclusions

thus obtained. For the particulars which are included in

its province are too vast and too complex to admit of any

hope of bringing them into order and relation by direct

induction.

To quote from the latest elementary text-book of logic

of which I know, Professor Noah K. Davis's " Elements of

Inductive Logic \* (Harper Bros., New York, 1893), p. 197 :

The great object of the scientist is to obtain by rigid induction the

laws of nature, and to follow them by rigid deduction to their conse-

quences. A science at first wholly inductive becomes, as soon as a

law has been proved, more or less deductive, and as it progresses,

rising to higher and wider but fewer inductions, the deductive

processes increase in number and importance, until it is no longer

properly an inductive, but a deductive science. Thus, hydrostatics,

acoustics, optics and electricity, commonly called inductive sciences,

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have passed under the dominion of mathematics, from inductive to

deductive sciences and mechanics has a like history. Celestial

mechanics as founded in the " Principia " of Newton is mainly induc-

tive, as elaborated in the "Mecanique Celeste " of Laplace, is

mainly deductive. By pursuing this latter process it has multiplied

its matter and reached its present high perfection. A revolution is

quietly progressing in all the natural sciences. Bacon changed their

method from deductive to inductive, and it is now rapidly reverting

from inductive to deductive. The task of logic is to explicate and

regulate these methods.

Now the law of nature which forms the postulate of a

true science of political economy is not, as has been erro-

neously assumed, that men are invariably and universally

selfish. As a matter of fact, this is not true. Nor can we

abstract from man all but selfish qualities in order to make

as the object of our thought on economic matters what

has been called the " economic man," without getting what

is really a monster, not a man.

The law of nature which is really the postulate of a true

science of political economy is that men always seek to

gratify their desires with the least exertion, whether those

desires are selfish or unselfish, good or bad.

That this is a law of nature we have the highest possible

warrant, wider in fact than we can have for any of the

laws of external nature, such for instance as the law of

gravitation. For the laws of external nature can be appre-

hended only objectively. But that it is a law of nature

that men seek to gratify their desires with the least exer-

tion, we may see both subjectively and objectively. Since

man himself is included in nature, we may subjectively

reach the law of nature that men seek to gratify their

desires with the least exertion, by an induction derived

from consciousness of our own feelings and an analysis of

our own motives of action ; while objectively we may also

reach the same law by an induction derived from obser-

vation of the acts of others.

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Proceeding from a law of nature thus doubly assured,

the proper method of a political economy which becomes

really a science by its correct apprehension of a fundar

mental law, is the method of deduction from that law, the

method of proceeding from the general to the particular ;

for this is the method which will enable us to attain incom-

parably greater results. To abandon that method and

resort to what the " new lights n of political economy seem

really to mean by induction, would be as though we were

to discard the rules of arithmetic and endeavor by direct

inquiries in all parte of the world to discover how much

one number added to another would make, and what

would be the quotient of a sum divided by itself.

Thus, in the main, the science of political economy re-

sorts to the deductive method, using induction for its tests.

But in its more common investigations its most useful

instrument is a form of hypothesis which may be called

that of mental or imaginative experiment,\* by which we

may separate, combine or eliminate conditions in our own

imaginations, and thus test the working of known prin-

ciples. This is a most common method of reasoning,

familiar to us all, from our very infancy. It is the great

working tool of political economy, and in its use we have

only to be careful as to the validity of what we assume as

principles.

\* See lecture deUvered by me before the students of the Univer-

sity of California on "The Study of Political Economy," April, 1877,

reprinted in "Popular Science Monthly," March, 1880.

CHAPTER XIV.

POLITICAL ECONOMY AS SCIENCE AND

AS ART.

SHOWING THAT POLITICAL ECONOMY IS PROPERLY A

SCIENCE, AND THE MEANING IT SHOULD HAVE IF SPOKEN

OF AS ART.

Science and art— There must be a science of political economy, but

no proper art— What must be the aim of an art of political econ-

omy—White art and black art— Course of further investigation.

THERE is found among economic writers much dis-

pute not only as to the proper method of political

economy, but also as to whether it should be spoken of as

a science or as an art. There are some who have styled

it a science, and some who have styled it an art, and some

who speak of it as both science and art. Others again

make substantially the same division, into abstract or

theoretical or speculative political economy, on the one

side, and concrete or normative or regulative or applied

political economy, on the other side.

Into this matter, however, it is hardly worth while for

us to enter at any length, since the reasons for considering

a proper political economy as a science rather than an art

have been already given. It is only necessary to observe

that where systematized knowledge may be distinguished,

as it sometimes is, into two branches, science and art, the

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proper distinction between them is that the one relates to

what we call laws of nature ; the other to the manner in

which we may avail ourselves of these natural laws to

attain desired ends.

This first branch of knowledge, it is clear, is in political

economy the primary and most important. It is only as

we know the natural laws of the production and distribu-

tion of wealth that we can previse the result of the adjust-

ments and regulations which human laws attempt. And

as whoever wishes to understand and treat the diseases

and accidents of the human frame would properly begin

by studying it in its normal condition, noting the position,

relation and functions of the organs in a state of perfect

health; so any study of the faults, aberrations and in-

juries which occur in the economy of society comes best

after the study of its natural and normal condition.

There may be disputes as to whether there is yet a

science of political economy, that is to say, whether our

knowledge of the natural economic laws is as yet so large

and well digested as to merit the title of science. But

among those who recognize that the world we live in is in

all its spheres governed by law, there can be no dispute as

to the possibility of such a science.

And as there can be only one science of chemistry, one

science of astronomy and one science of physiology, which,

in so far as they are really sciences, must be true and in-

variable, so, while there may be various opinions, various

teachings, various hypotheses (or in a loose and improper

but exceedingly common use of the word, various theories),

of political economy, there can be only one science. And

it, in so far as it is really a science— that is to say, in so

far as we have really discovered and related the natural

laws which are within its province— must in all times and

places be true and invariable. For we live in a world

where the same effects always follow the same causes and

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where nothing is capricious, unless indeed it be that some-

thing within us which desires, wills and chooses. But this

in man, that seems, to a certain extent at least, indepen-

dent of the external nature that is recognized by our

senses, can manifest itself only in accordance with natural

laws, and can accomplish its external purposes only by

using those laws.

When we shall have worked out the science of political

economy— when we shall have discovered and related the

natural laws which govern the production and distribution

of wealth, we shall then be in position to see the effect of

human laws and customs. But it does not seem to me

that a knowledge of the effect which natural laws of the

production and distribution of wealth bring about in the

outcome of human laws, customs and efforts, can be

properly spoken of as an art of political economy, or that

the knowledge properly classified under the term political

economy, can be divided, as some writers have attempted

to divide it, into a science and an art. There is a science

of astronomy, which has its applications in such arts as

those of navigation and surveying ; but no art of astronomy.

There is a science of chemistry, which has its applications in

many arts j but no art of chemistry. And so the science of

political economy finds its applications in politics and its

various subdivisions. But these applications can hardly

be spoken of as constituting an art of political economy.

Yet if we choose, as some have done, to speak of political

economy as both science and art, then the art of political

economy is the art of securing the greatest production and

the fairest distribution of wealth ; the art whose proper

object it is to abolish poverty and the fear of poverty, and

so lift the poorest and weakest of mankind above the hard

struggle to live. For if there be an art of political econ-

omy, it must be the noble art that has for its object the

benefit of all members of the economic community.

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But just as when men believed in magic they held that

there was both a white magic and a black magic— an art

which aimed at alleviating suffering and doing good, and

an art which sought knowledge for selfish and evil ends—

so, in this view, it may be said that there is a white polit-

ical economy and a black political economy. Where a

knowledge of the laws of the production and distribution

of wealth is used to enrich a few at the expense of the

many, or even where a reputed knowledge of those laws

is used to bolster up such injustice, and by darkening

counsel to prevent or delay the reform of it, such art of

political economy, real or reputed, is truly a black art.

This is the art of which the great Turgot spoke.

For our part, having seen the nature and scope of the

science of political economy, for which we adopt the older

definition— the science that investigates the nature of

wealth and the laws of its production and distribution— let

us proceed in this order, endeavoring to discover : (1) the

nature of wealth ; (2) the laws of its production ; and then

(3) the laws of its distribution. When this is done we

shall have accomplished all that is necessary for a true

science of political economy, as I understand it. It will

not be necessary for us to consider the matter of the con-

sumption of wealth ; nor, indeed, as I shall hereafter show,

is a true political economy concerned with consumption,

as many of the minor economic writers have assumed it

to be.

BOOK II.

THE NATURE OF WEALTH

Definitions are the basis of systematic reasoning.

— Aristotle.

The mixture of those things by speech which

are by nature divided is the mother of all error.—

Hooker.

Bacon made us sensible of the emptiness of the

Aristotelian philosophy; Smith, in like manner,

caused us to perceive the fallaciousness of all the

previous systems of political economy ; but the lat-

ter no more raised the superstructure of this science,

than the former created logic. . . . "We are, how-

ever, not yet in possession of an established text-

book on the science of political economy, in which

the fruits of an enlarged and accurate observation

are referred to general principles that can be ad-

mitted by every reflecting mind ; a work in which

these results are so complete and well arranged as

to afford to each other mutual support, and that may

everywhere and at all times be studied with advan-

tage.—\*/. B. Say, 1803.

We may cite as examples of such inchoate but yet

incomplete discoveries the great "Wealth of Na-

tions" by Adam Smith— a work which still stands

out, and will ever stand out, as that of a pioneer,

and the only book on political economy which dis-

plays its genius to every kind of intelligent reader.

But among the specialists and the schools, this work

of genius which swayed all Europe in its day, is laid

upon the shelf as an antiquated affair, superseded

by the smaller and duller men who have pulled his

system to pieces and are offering us the fragments

as a science most of whose first principles are still

under dispute. —Professor (Greek) J. P. Mahaffiy,

"The Present Position of Egyptology ," "Nineteenth

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INTRODUCTION TO BOOK II.

SINCE political economy is the science which treats of

the nature of wealth and the laws of its production

and distribution, our first step is to fix the meaning that

in this science properly attaches to its primary term.

I shall in the first place show the need for an exhaustive

inquiry, by showing the confusion that from the time of

Adam Smith has attached to this term, and the utter

incoherency with regard to it into which the scholastic

economy has now fallen.

I shall next try to ascertain the causes of this confusion.

This will lead to a consideration of economic development,

and in the absence in our literature of any intelligent his-

tory of political economy, I shall attempt briefly to trace

its course, from the time of Adam Smith and his prede-

cessors, the French economists called Physiocrats, to its

virtual abandonment in the teachings of the English and

American colleges and universities at the present time.

Having seen that the only point as to wealth on which

the scholastic economists now agree is that it has value,

and that their confusions as to wealth proceed largely from

confusions as to value, I shall then try to determine the

proper meaning of the term value. That fixed, we shall

be in a position to fix the real meaning and relations of the

term wealth, and shall proceed to do so.

Although in this book it will be seen that I am giving

many chapters to a subject which preceding systematic

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writers have passed over in a few lines, even where, as is

the case with many of them, they have not utterly ignored

it, I am sore that the reader will ultimately find in the ease

and certainty with which subsequent inquiries may be

conducted an ample reward for the care thus taken in the

beginning.

CHAPTER I.

CONFUSIONS AS TO THE MEANING OF WEALTH.

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OMY TO DEFINE WEALTH, AND THE CONFUSIONS THERE-

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ure to define the term leads to the abandonment of political econ-

omy—This concealed under the word "economic" — The intent

expressed by Maoleod— Results to political economy.

THE purpose of the science of political economy is, as

we have seen, the investigation of the laws that gov-

ern the production and distribution of wealth in social or

civilized life. In beginning its study, our first step is

therefore to see what is the nature of the wealth of socie-

ties or communities ; to determine exactly what we mean

by the word wealth when used as a term of political

economy.

There are few words in more common use than this

word wealth, and in the general way that suffices for

ordinary purposes we all know what we mean by it. But

when it comes to defining that meaning with the precision

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necessary for the purposes of political economy, so as to

determine what is and what is not properly included in the

idea of wealth as political economy must treat of it, most

of us, though we often and easily use the word in ordinary

thought and speech, are apt to become conscious of indefi-

niteness and perplexity.

This is not strange. Indeed, it is a natural result of the

transference to a wider economy of a term we are accus-

tomed to use in a narrower economy. In our ordinary

thought and speech, referring, as it most frequently does,

to every-day affairs and the relations of individuals with

other individuals, the economy with which we are usually

concerned and have most frequently in mind is individual

economy, not political economy— the economy whose

standpoint is that of the unit, not the economy whose

standpoint is that of the social whole or social organism ;

the Greater Leviathan of natural origin of which I have

before spoken.

The original meaning of the word wealth is that of

plenty or abundance j that of the possession of things con-

ducive to a certain kind of weal or well-being. Health,

strength and wealth express three kinds of weal or well-

being. Health relates to the constitution or structure, and

expresses the idea of well-being with regard to the physi-

cal or mental frame. Strength relates to the vigor of the

natural powers, and expresses the idea of well-being with

regard to the ability of exertion. Wealth relates to the

command of external things that gratify desire, and ex-

presses the idea of well-being with regard to possessions

or property. Now, as social health must mean something

different from individual health, and social strength some-

thing different from individual strength ; so social wealth,

or the wealth of the society, the larger man or Greater •

Leviathan of which individuals living in civilization are

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components, must be something different from the wealth

of the individual.

In the one economy, that of individuals or social units,

everything is regarded as wealth the possession of which

tends to give wealthiness, or the command of external

things that satisfy desire, to its individual possessor, even

though it may involve the taking of such things from

other individuals. But in the other economy, that of

social wholes, or the social organism, nothing can be re-

garded as wealth that does not add to the wealthiness of

the whole. What, therefore, may be regarded as wealth

from the individual standpoint, may not be wealth from

the standpoint of the society. An individual, for instance,

may be wealthy by virtue of obligations due to him from

other individuals ; but such obligations can constitute no

part of the wealth of the society, which includes both

debtor and creditor. Or, an individual may increase his

wealth by robbery or by gaming; but the wealth of the

social whole, which comprises robbed as well as robber,

loser as well as winner, cannot be thus increased.

It is therefore no wonder that men accustomed to the

use of the word wealth in its ordinary sense, a sense in

which no one can avoid its continual use, should be liable,

unless they take great care, to slip into confusion when

they come to use the same word in its economic sense.

But what does seem strange is that indeflniteness, per-

plexity and confusion as to the meaning of the economic

term wealth, are even more obvious in the writings of

the professional economists who are accredited by colleges

and universities and other institutions of learning with

the possession of special knowledge which authorizes them

to instruct their fellows on economic subjects. While as

for the professional statisticians who in long arrays of

figures attempt to estimate the aggregate wealth of states

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and nations, they seem for the most part innocent of any

suspicion that what may be wealth to an individual may

not be wealth to a community \*

Adam Smith, who is regarded as the founder of the

modern science of political economy, is not very definite

or entirely consistent as to the real nature of the wealth

of nations, or wealth in the economic sense. But since

his time the confusions of which he shows traces, instead

of being cleared up by the writings of those who in our

schools and colleges are recognized as political economists,t

has become progressively so much worse confounded that

in the latest and most elaborate of these treatises all at-

tempts to define the term seem to have been abandoned.

In "Progress and Poverty n (1879), I showed the utter

confusion as to wealth into which the scholastic political

economy had fallen, by printing together a number of

varying and contradictory definitions of its sub-term cap-

ital, as given by accredited economic writers.:}: Although

I was then obliged to fix the meaning of the main term

wealth in order to fix the meaning of the sub-term

\* A curious, if not comical, instance of the loose way in which pro-

fessed statisticians jump at conclusions is afforded in the controversy

I had in "Frank Leslie's Weekly" (1883) with Professor Francis A.

Walker, then superintendent of the United States Census, and which

was afterwards reprinted as an appendix to the American edition of

my "Social Problems."

t " Progress and Poverty," although it has already exerted a wider

influence than any other economic work written since the "Wealth

of Nations," is not so recognized, not being even alluded to in the

elaborate history of political economy which, on account of the utter

chaos into which the teachings of that science have fallen, takes in

the last edition of the " Encyclopaedia Britannica " the place before

accorded to the science itself, and which has since been reprinted in

separate form. ("A History of Political Economy," by John Eells

Ingram, LL.D., Maomillan & Co., 1888.)

t "Progress and Poverty," Book I., Chapter II., "The Meaning of

the Terms."

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capital, with which I was immediately concerned, the

confusion among the accredited economists has " got no

better very fast," the " economic revolution " which has in

the meanwhile displaced from their chairs the professors

of the then orthodox political economy in order to give

place to so-called " Austrians," or similar professors of

"economics," having only made confusion worse con-

founded. Let me, therefore, in order to show in the most

up-to-date way the confusion existing among scholastic

economists as to the primary term of political economy,

put together what definitions of the economic term

wealth I can find in the works of representative and

accredited economic writers since Adam Smith to the

present time, placing them in chronological order as far

as possible :

J. B. Say— Divides wealth into natural and social, and

applies the latter term to whatever is susceptible of ex-

change.

Malthus— Those material objects which are necessary,

useful or agreeable to man.

Torrens— Articles which possess utility and are produced

by some portion of voluntary effort

McCulloch— Those articles or products which have ex-

changeable value, and are either necessary, useful or

agreeable to man.

Jones— Material objects voluntarily appropriated by

man.

Rae— All I can find on this subject in his "New Princi-

ples of Political Economy" (1833) is that "individuals

grow rich by the acquisition of wealth previously existing ;

nations by the creation of wealth that did not before

exist."

Senior— All those things, and those things only, which

are transferable, are limited in supply, and are directly or

indirectly productive of pleasure or preventive of pain. . . .

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Health, strength and knowledge, and the other acquired

powers of body and mind, appear to us to be articles of

wealth.

Vethake— All objects, immaterial as well as material,

having utility, excepting those not susceptible of being

appropriated, and those supplied gratuitously by nature.

By the wealth of a community or nation is meant all the

wealth which is possessed by the persons composing it,

either in their individual or corporate capacities.

John Stuart Mill— All useful and agreeable things which

possess exchangeable value ; or in other words, all useful

and agreeable things except those which can be obtained,

in the quantity desired, without labor or sacrifice.

Pawcett— Wealth may be defined to consist of every

commodity which has an exchangeable value.

Bowen— The aggregate of all things, whether material

or immaterial, which contribute to comfort and enjoyment

and which are objects of frequent barter and sale.

Jevons— What is (1) transferable, (2) limited in supply,

(3) useful.

Mason and Lalor, 1875— Anything for which something

can be got in exchange.

Leverson— The necessaries and comforts of life produced

by labor.

Shadwell— All articles the possession of which affords

pleasure to anybody.

Macleod— Anything whatever that can be bought, sold

or exchanged, or whose value can be measured in money.

. . . Wealth is nothing but exchangeable rights.

De Laveleye— Everything which answers to men's ra-

tional wants. A useful service and a useful object are

equally wealth. . . . Wealth is what is good and useful—

a good climate, well-kept roads, seas teeming with fish, are

unquestionably wealth to a country, and yet they cannot

be bought.

Ckap.L CONFUSIONS AS TO MEANING.

Francis A. Walker— All articles of value and nothing

else.

Macvane— All the useful and agreeable material objects

we own or have the right to use and enjoy without asking

the consent of any other person. Wealth is of two gen-

eral kinds— natural wealth and wealth produced by labor.

Clark— Usage has employed the word wealth to sig-

nify, first, the comparative welfare resulting from material

possessions, and secondly, and by a transfer, the posses-

sions themselves. Wealth then consists in the relative-

weal-constituting elements in man's material environment.

It is objective to the user, material, useful and appropri-

able.

Laughlin— Defines material wealth as something which

satisfies a want ; cannot be obtained without some sacrifice

of exertion, and is transferable ; but also speaks of imma-

terial wealth without defining it.

Newcomb— That for the enjoyment of which people pay

money. The skill, business ability or knowledge which

enables their possessors to contribute to the enjoyment of

others, including the talents of the actor, the ability of the

man of business, the knowledge of the lawyer and the skill

of the physician, is to be considered wealth when we use

the term in its most extended sense.

Bain— A commodity is material worked up after a de-

sign to answer to a definite demand or need, and wealth is

simply the sum total of commodities.

Buskin— This brilliant essayist and art critic can hardly

be classed as a scholastically accepted political economist,

and I have refrained from giving his definition of wealth

in what otherwise would have been its proper place. But

his "Unto this Last" (1866) consists of four essays on

political economy, and the brilliant flashes of ethical truth

which they like his other works contain have led many

admirers to regard him as a profound economist He is

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anything but complimentary to the "modern soi-disant

science," as he calls it, against which he brings the charge

that while claiming to be the science of wealth it cannot

tell what wealth is. In the preface to these essays he says :

" The real gist of these papers, their central meaning and

aim is to give, as I believe, for the first time in plain

English, a logical definition of wealth; such definition

being absolutely needed for a basis of economical science."

It would be well, therefore, without assuming that Buskin

in any way represents the scholastic political economy,

which he likened to an astronomy unable to say what a

star was, to give his definition. That definition, to use

his own words is— "The possession of useful articles that

we can use," or as again stated somewhat later on, " The

possession of the valuable by the valiant."

The endeavor to get together these definitions of wealth

by economic writers has involved considerable effort, but

it is likely to be noticeable by its omissions. The fact is,

that many of the best-known writers on political economy,

such for instance as Ricardo, Chalmers, Thorold Rogers

and Cairnes, make no attempt to give any definition of

wealth. The same thing is to be said of the two volumes

of Karl Marx entitled " Capital ;" and also of the two vol-

umes on the same subject by Bohm-Bawerk, which also

have been translated into English, and are much quoted

by that now dominant school of scholastic political econ-

omy known as the " Austrian." And while many of the

writers who make no attempt to define wealth, do have a

good deal to say about it, what they say is too diffused

and incoherent either to quote or condense. There are

many who without saying so, evidently hold the opinion

thus frankly expressed by Professor Perry in his "Ele-

ments of Political Economy" (1866) :

This word wealth has been the bane of political economy. It is

the bog whence most of the mists have arisen which have beclouded

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the whole subject. From its indefiniteness and the variety of asso-

ciations it earries along with it in different minds, it is totally unfit

for any scientific purpose whatever. It is itself almost impossible

to be defined, and consequently can serve no useful purpose in a

definition of anything else. . . . The meaning of the word wealth

has never yet been settled ; and if political economy must wait until

that work be done as a preliminary, the science will never be satis-

factorily constructed. . . . Men may think, and talk, and write, and

dispute till doomsday, but until they come to use words with defi-

niteness, and mean the same thing by the same word, they reach com-

paratively few results and make but little progress. And it is just

at this point that we find the first grand reason of the slow advance

hitherto made by this science. It undertook to use a word for scien-

tific purposes which no amount of manipulation and explanation could

make suitable for that service. Happily there is no need to use this

word. In emancipating itself from the word wealth as a technical

term, political economy has dropped a clog, and its movements are

now relatively free.

To make this exhibition of definitions as fairly repre-

sentative as possible I have wished to include in it that of

Professor Alfred Marshall, Professor of Political Economy

in the University of Cambridge, England, whose " Princi-

ples of Economics " (of which only the first volume, issued

in 1890, and containing some 800 octavo pages, has yet

been published) may be considered the latest and largest,

and scholastically the most highly indorsed, economic work

yet published in English.

It cannot be said of him, as of many economic writers,

that he does not attempt to say what is meant by wealth,

for if one turns to the index he is directed to a whole

chapter. But neither in this chapter nor elsewhere can I

find any paragraph, however long, that may be quoted as

defining the meaning he attaches to the term wealth. The

only approach to it is this :

All wealth consists of things that satisfy wants, directly or indi-

rectly. All wealth therefore consists of goods ; but not all kinds of

goods are reckoned as wealth.

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But for the distinction between goods reckoned as

wealth and goods not reckoned as wealth, which one would

think was about to follow, the reader looks in vain. He

merely finds that Professor Marshall gives him the choice

of classifying goods into external-material-transferable

goods, external-material-non-transferable goods, external-

personal-transferable goods, external-personal-non-trans-

ferable goods, and internal-personal-non-transferable

goods ; or else into material-external-transferable goods,

material-external-non-transferable goods, personal-exter-

nal-transferable goods, personal-external-non-transferable

goods, and personal-internal-non-transferable goods. But

as to which of these kinds of goods are reckoned as wealth

and which are not, Professor Marshall gives the reader no

inkling, unless, indeed, he may be able to find it in Wag-

ner's " Volkswirthschaf tslehre," to which the reader is re-

ferred at the conclusion of the chapter as throwing " much

light upon the connection between the economic concept

of wealth and the juridical concept of rights in private

property." I can convey the impression produced on my

mind by repeated struggles to discover what the Professor

of Political Economy in the great English University of

Cambridge holds is to be reckoned as wealth, only by say-

ing that it seems to comprise all things in the heavens

above, the earth beneath and the waters under the earth,

that may be useful to or desired by man, individually or

collectively, including man himself with all his natural or

acquired capabilities, and that all I can absolutely affirm,

for it is the only thing for which I can find a direct state-

ment, is, that " we ought for many purposes to reckon the

Thames a part of England's wealth."

The same utter, though perhaps somewhat less elaborate,

incoherency is shown by Professor J. Shield Nicholson,

Professor of Political Economy in the great Scottish

University of Edinburgh, whose " Principles of Political

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Economy" appeared in first volume (less than half as big

as that of Professor Marshall's) in 1893, and has not yet

(1897) been succeeded by another. Looking up the index

for the word " wealth " one finds no less than fifteen refer-

ences, of which the first is "popular conception of," and

the second "economic conception of." Yet in none of

these, nor in the whole volume, though one wade through

it all in the search, is anything like a definition of wealth to

be found, the only thing resembling a direct statement

being the incidental remark (p. 404) that "land is in

general the most important item in the inventory of na-

tional wealth"— a proposition which logically is as untrue

as that we ought to reckon the Thames a part of England's

wealth. ,

Now, wealth is the object-noun, or name given to the

subject-matter, of political economy, the science that seeks

to discover the laws of the production and distribution of

wealth in human society. It is therefore the economic

term of first importance. Unless we know what wealth

is, how possibly can we hope to discover how it is pro-

cured and distributed 1 Yet after a century of what passes

for the cultivation of this science, with professors of

political economy in every college, the question, " What is

wealth 1 " finds at their hands no certain answer. Even to

such questions as, " Is wealth material or immaterial 1 \* or

"Is it something external to man or does it include man

and his attributes ?" we get no undisputed reply. There

is not even a consensus of opinion. And in the latest and

most pretentious scholastic teaching the attempt to obtain

any has been virtually, where not definitely, abandoned,

and the economic meaning of wealth reduced to that of

anything having value to the social unit.

It is clear that failure to define its subject-matter or

object-noun must be fatal to any attempted science ; for it

shows lack of the first essential of true science. And the

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fate of rejection even by those who profess to study and

teach it has already befallen political economy at the hands

of the accredited institutions of learning.

This fact will not be obvious to the ordinary reader, for

it is concealed to him under a change in the meaning of

a word.

Since the term comes into our language from the Greek,

the proper word for expressing the idea of relationship to

political economy is " politico-economic." But this is a

term too long, and too alien to the Saxon genius of our

mother tongue, for frequent repetition. And so the word

" economic" has come into accepted use in English, as ex-

pressing that idea. We are justified therefore, in suppos-

ing, and as a matter of fact do generally suppose when we

first hear of them, that the works now written by the pro-

fessors of political economy in our universities and col-

leges, and entitled " Elements of Economics," " Principles

of Economics," " Manual of Economics," etc., are treatises

on political economy. Examination, however, will show

that many of these at least are not in reality treatises on

the science of political economy, but treatises on what

their authors might better call the science of exchanges,

or the science of exchangeable quantities. This is not the

same thing as political economy, but quite a different thing

—a science in short akin to the science of mathematics.\*

In this there is no necessity for distinguishing between

what is wealth to the unit and what is wealth to the whole,

and moral questions, that must be met in a true political

economy, may be easily avoided by those to whom they

seem awkward.

A proper name for this totally different science, which

the professors of political economy in so many of the lead-

\* The attempts by titular professors of political economy to find

mathematical expression for what they call " economics n must be

familiar to those who have toiled through recent scholastic literature.

Chap. I. C0NFU8I0NS AS TO MEANING. 129

ing colleges and universities on both sides of the Atlantic

have now substituted in their teaching for the science they

are officially supposed to expound, would be that of " cat-

eUactics," as proposed by Archbishop Whately, or that of

"plutology," as proposed by Professor Hern, of Melbourne ;

but it is certainly not properly " economics," for that by

long usage is identified with political economy.

Both the reason for, and what is meant by, the change

of title from political economy to economics, which is so

noticeable in the writings of the professors of political

economy in recent years, are thus frankly shown by Mac-

leod (VoL I., Chapter VII., Sec. 11, " Science of Econom-

ics"):

We do not propose to make any change at all in the name of the

science. Both the terms "Political Economy" and "Economic Sci-

ence/' or "Economics," are in common use, and it seems better to

discontinue that name which is liable to misinterpretation, and which

seems to relate to politics, and to adhere to that one which most

clearly demies its nature and extent and is most analogous to the

names of other sciences. We shall, therefore, henceforth discon-

tinue the use of the term "political economy " and adhere to that of

"economics." Economics, then, is simply the science of exchanges,

or of commerce in its widest extent and in all its forms and varieties ;

it is sometimes called the science of wealth or the theory of value.

The definition of the science which we offer is :

Economics is the science which treats of the laws which govern

the relations of exchangeable quantities.

Now the laws which govern the relations of exchange-

able quantities are such laws as 2 + 2 = 4; 4 — 1 = 3;

2x4 = 8; 4-^-2 = 2; and their extensions.

The proper place for such laws in any honest classifica-

tion of the sciences is as laws of arithmetic or laws of

mathematics, not as laws of economics. And the attempt

of holders of chairs of political economy to take advantage

of the usage of language which has made " economic w a

short word for " politico-economic " to pass off their "sci-

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ence of economics" as if it were the science of political

economy, is as essentially dishonest as the device of the

proverbial Irishman who attempted to cheat his partners

by the formula, " Here's two for you two, and here's two

for me too.\*

To this, in less than a century after Say congratulated

his readers on the first establishment of chairs of political

economy in universities, has the scholastic political econ-

omy come.

Professor Perry, writing thirty years ago, thought that

by emancipating itself from the word wealth as a tech-

nical term, political economy would drop a clog and its

movements would become relatively free. In what is now

taught from the chairs of political economy in our leading

colleges on both sides of the Atlantic the clog has indeed

been dropped, with results which very strongly suggest

the increased freedom of movement which comes from

the dropping of its tail by a boy's kite. Without the clog

of an object-noun, political economy as there taught has

plunged out of existence, and the science of values which

is taught in its place has no answer whatever to give even

to questions which Professor Perry would have thought

completely settled at the time he wrote.

CHAPTER II.

CAUSES OP CONFUSION AS TO THE MEANING

OP WEALTH.

SHOWING THE REAL DIFFICULTY THAT BESETS THE

ECONOMIC DEFINITION OF WEALTH.

Effect of slavery on the definition of wealth— Similar influences now

existing— John Stuart Mill on prevalent delusions— Genesis of the

protective absurdity— Power of special interests to mold common

opinion— Of injustice and absurdity, and the power of special in-

terests to pervert reason— Mill an example of how accepted opin-

ions may blind men— Effect upon a philosophical system of the

acceptance of an incongruity— Meaning of a saying of Christ-

Influence of a class profiting by robbery shown in the development

of political economy— Archbishop Whately puts the cart before

the horse— The power of a great pecuniary interest to affect

thought can be ended only by abolishing that interest— This shown

in American slavery.

FTIHE neglect of political economy in the classical world

JL has been explained by modern economists as dne to

the effect of slavery in causing labor to be regarded as

degrading\*

Bat in this a quicker and more direct effect of slavery

in preventing the cultivation of political economy has been

overlooked.

\* See, forinstanoe, McCullooh's "Principles of Political Economy"

(1825), Part I.

W

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Except perhaps as the crucified fomenter of a servile

rebellion, the only class in which any philosopher of the

ancient world might have got a hearing that could have

brought his name and teachings down to us, was that

wealthy class, whose riches were largely in their slaves.

For in any social condition in which privilege and wealth

are inequitably distributed, what Jefferson said of Jesus\*

must be true of all moral or economic teachers— "All the

learned of His country, intrenched in its power and riches,

were opposed to Him, lest His labors should undermine

their advantages."

The first question which a coherent political economy

must answer is, what is wealth t This, in a state of society

in which the ruling class were universally slaveholders,

was too delicate a question for any accredited philosopher

to have fairly met. Even the most astute among them

could go no further than to say, with the intellectual giant

Aristotle, that wealth "is all things whose value is mea-

sured by money," or with the Roman jurist Ulpian, " that

is wealth which can be bought and sold." Prom this

point, the very point to which our modern political econ-

omy has in current scholastic teachings now come again,

though there may be economies of finance and economies

of exchange and economies of agriculture (there were

many such among the Greeks and Romans, their agricul-

tural economy even teaching how slaves should be sold as

soon as age and infirmity began to lessen the work that

could be extorted from them), there was and could be no

political economy.

But this indisposition to recognize the distinction be-

tween what may be wealth to the individual and what is

\* " Syllabus of an estimate of the merits of the doctrines of Jesus."

("The Writings of Thomas Jefferson, n collected and edited by Paul

Leicester Ford, Putnam's Sons, Vol. VIII., p. 227.)

L

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wealth to the society, which has prevented the growth of

any science of political economy wherever, either in the

ancient or the modern world, the ownership of human

beings has been an important element in the wealth of the

wealthy class, has not entirely ceased to show itself with

the abolition of chattel slavery. Even the men who have

seen that there was a connection between the failure of the

restless and powerful thinkers of the classic world to de-

velop a political economy and their acceptance of slavery,

have in their own development of political economy been

unconsciously affected by a similar retarding and aberrat-

ing influence. Chattel slavery is only one of the means by

which individuals become wealthy without increase in the

general wealth, and as in modern civilization it has lost

importance, other means to the same end have taken its

place. But wherever and from whatever causes society is

divided into the very rich and the very poor, the primary

question of political economy, what is wealth t must be a

delicate one to men sensibly or insensibly influenced by

the feelings and opinions of the dominating class. For

in such social conditions much that commonly passes for

wealth must really be only legalized robbery, and nothing

can be more offensive to those enjoying the profit of rob-

bery than to call it by its true name.

In the preliminary remarks to his " Principles of Politi-

cal Economy " John Stuart Mill says :

It often happens that the universal belief of one age of mankind

—a belief from which no one was, nor without an extraordinary

effort of genius and courage, could at that time be free— becomes to

a subsequent age so palpable an absurdity, that the only difficulty

then is to imagine how such a thing can ever have appeared credible.

It has so happened with the doctrine that money is synonymous with

wealth. The conceit seems too preposterous to be thought of as a

serious opinion. It looks like one of the crude fancies of childhood,

instantly corrected by a word from any grown person. But let no

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one feel confident that he Bhould have escaped the delusion if he had

lived at the time when it prevailed.

Let no one be confident indeed I

Yet it is a mistake to liken the absurdities of the mer-

cantile or protective system to the crude fancies of child-

hood. This has never been their origin or their strength.

In the petty commerce in marbles and tops that goes on

among school-boys no boy ever imagined that the more

he gave and the less he got in such exchange the better

off he should be. No primitive people were ever yet so

stupid as to suppose that they could increase their wealth

by taxing themselves. Any child that could understand

the proposition would see that a dollar's worth of gold

could not be more valuable than a dollar's worth of any-

thing else, as readily as it would see that a pound of lead

could not be heavier than a pound of feathers. Such

ideas are not the fancies of childhood. Their growth,

their strength, their persistence, as we may clearly see in

the newer countries of America and Australia, where they

have appeared and gathered force since Adam Smith's

time, is due to the growth of special interests in artificial

restrictions on trade as a means of increasing individual

wealth at the expense of the general wealth.

The power of a special interest, though inimical to the

general interest, so to influence common thought as to

make fallacies pass as truths, is a great fact without which

neither the political history of our own time and people

nor that of other times and peoples can be understood.

A comparatively small number of individuals brought

into virtual though not necessarily formal agreement of

thought and action by something that makes them indi-

vidually wealthy without adding to the general wealth,

may exert an influence out of all proportion to their num-

bers. A special interest of this kind is, to the general in-

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terests of society, as a standing army is to an unorganized

mob. It gains intensity and energy in its specialization,

and in the wealth it takes from the general stock finds

power to mold opinion. Leisure and culture and the cir-

cumstances and conditions that command respect accom-

pany wealth, and intellectual ability is attracted by it. On

the other hand, those who suffer from the injustice that

takes from the many to enrich the few, are in that very

thing deprived of the leisure to think, and the opportuni-

ties, education and graces necessary to give their thought

acceptable expression. They are necessarily the "unlet-

tered," the "ignorant," the "vulgar," prone in their con-

sciousness of weakness to look up for leadership and

guidance to those who have the advantages that the pos-

session of wealth can give.

Now, if we consider it, injustice and absurdity are sim-

ply different aspects of incongruity. That which to right

reason is unjust must be to right reason absurd. But an

injustice that impoverishes the many to enrich the few

shifts the centers of social power, and thus controls the

social organs and agencies of opinion and education.

Growing in strength and acceptance by what it feeds on,

it has only to continue to exist to become at length so

vested or rooted, not in the constitution of the human

mind itself, but in that constitution of opinions, beliefs and

habits of thought which we take, as we take our mother

tongue, from our social environment, that it is not per-

ceived as injustice or absurdity, but seems even to the

philosopher an integral part of the natural order, with

which it were as idle if not as impious to quarrel as with

the constitution of the elements. Even that highest gift,

the gift of reason, is in its bestowal on man subjected to

his use, and the very mental qualities that enable us to

discover truth may be perverted to fortify error, and are

always so perverted wherever an anti-social special interest

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gains control of the thinking and teaching functions of

society.

In this lies the explanation of the fact that looking

through the vista of what we know of human history we

everywhere find what are to us the most palpable absurdi-

ties enshrining themselves in the human mind as unques-

tionable truths— whole nations the prey of preposterous

superstitions, abasing themselves before fellow-creatures,

often before idiots or voluptuaries, whom their imagina-

tion has converted into the representatives of Deity ; the

great masses toiling, suffering, starving, that those they

bear on their shoulders may live idly and daintily. Wher-

ever and whenever what we may now see to be a palpable

absurdity has passed for truth, we may see if we look close

enough that it has always been because behind it crouched

some powerful special interest, and that the man has

hushed the questioning of the child.

This is of human nature. The world is so new to us

when we first come into it j we are so compelled at every

turn to rely upon what we are told rather than on what

we ourselves can discover ; what we find to be the common

and respected opinion of others has with us such almost

irresistible weight, that it becomes possible for a special

interest by usurping the teaching province to make to us

black seem white and wrong seem right.

Let no one indeed feel confident that he could have es-

caped any delusion, no matter how preposterous, that has

ever prevailed among men, if he had lived when and where

it was accepted. From as far back as we can see, human

nature has not changed, and we have but to look around

us to discover in operation to-day the great agency that

has made falsehood seem truth.

Of the fact of which, in what I have quoted, John Stuart

Mill speaks with reference to the doctrine that money is

synonymous with wealth— the fact that accepted opinion

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may blind even able and courageous men— he himself, in

the same book and almost in the same paragraph, gives

unconscious illustration, in the timidity with which he

touches the question of the nature of wealth, when it leads

beyond what Adam Smith had already shown, that it was

not synonymous with money. He recognizes, indeed,

that what is wealth to an individual is not therefore wealth

to the community or nation, and definitely states, or rather

concedes, that debt, even funded debt, is no part of the

wealth of the society. But the way in which he does this

is suggestive. He says :

The canceling of the debt would be no destruction of wealth, but

a transfer of it ; a wrongful abstraction of wealth from certain mem-

bers of the community, for the profit of the government or of the

taxpayers.

The gratuitous word " wrongful " shows the bias. And

even this recognition that debt cannot be wealth in the

economic sense is ignored in the subsequent definition of

wealth.

So strongly indeed was John Stuart Mill, who seems to

me a very type of intellectual honesty, under the influence

of the accustomed ideas of his time and class, that al-

though he saw with perfect clearness that the wealth that

comes to individuals by reason of their monopoly of land

really comes to them through force and fraud, yet he

seemingly never dreamed that land was no part of national

wealth. Nor yet, does he seem even to dream that the

people of a country, once they had been forcibly deprived

of it, could recover what he saw to be their natural right.

In all the history of dead absurdities there can be no sen-

tence more strikingly illustrative of the power of accepted

opinion to hide absurdity than this of his :

The land of Ireland, the land of every country, belongs to the

people of that country. The individuals called landowners have no

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right in morality and justice to anything but rent, or compensation

for its salable value.

This is simply to say that the ownership of the land of

Ireland gave the people who morally owned it the right to

buy it from those who did not morally own it.

What was it that hid from this trained logician and

radically minded man the patent absurdity of saying that

the individuals called landowners had no right to land,

except that which is the sum and expression of all ex-

changeable rights to land— rent t

Whoever will examine his writings will see that it was

his previous acceptance of certain doctrines—doctrines

with which a succession of ingenious men had endeavored

to bring into semblance of logical coherence a political

economy vitally defective, and which resembled the elabo-

rate system of cycles and epicycles with which the ingenu-

ity of astronomers previous to Copernicus had endeavored

to account for the movements of the heavenly bodies.

When an incongruous substance, such for instance as a

bullet, is implanted in the human body, the physical system,

as soon as it despairs of its removal, sets about the en-

deavor to accommodate itself to the incongruity, frequent-

ly with such success that at length the incongruity is not

noticed. The stout, masterful man with whom I have just

now been talking, and whom you might liken to a bull if

it were not for the intelligence of his face, has long carried

a bullet under his skin. And men have even been known

to live for years with bullets in their brains.

So, too, with philosophical systems. When an incon-

gruity is accepted in a philosophical system, the abilities

of its professors are at once set to work to accommodate

other parts of the system to the incongruity, frequently

with such success that philosophical systems containing

fatal incongruities have been known to command accep-

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tance for long generations. For the mind of man is even

more plastic than the body of man, and the human imagi-

nation, which is the chief element in the building up of

philosophical systems, furnishes a lymph more subtle than

that which the blood supplies to the bodily system.

Indeed, the artificialities and confusions by which an

incongruity is made tolerable to a philosophic system, for

the very reason that they cannot be understood except by

those who have submitted their minds to a special course

of cramping, become to them a seeming evidence of su-

periority, gratifying a vanity like that of the contortionist

who has painfully learned to walk a little way on his hands

instead of his feet and to twist his body into unnatural

and unnecessary positions ; or like that of the conveyancer

or lawyer, who has in the same way painfully learned to

perform such tricks with language.

And just as the long toleration by the physical system

of such an incongruity as a bullet, a tumor or a dislocation,

by reason of the efforts which the system has made to rec-

oncile to it other parts and functions, renders it more diffi-

cult of removal or remedy, so the toleration in a philosoph-

ical system of an incongruity makes its removal or remedy

far more difficult to those who have bent their minds to

the system as it has by ingenious men been adapted to the

incongruity, than it is to those who approach the subject

from first principles, and who if they may have more to

learn have less to unlearn. For it is true, as Bacon said,

that " a cripple in the right way may beat a racer in the

wrong one. Nay, the fleeter the racer is who has once

missed his way, the farther he leaves it behind."

This, I think, is what was meant in the concise but deep

philosophy of Christ by such sayings as that the Kingdom

of Heaven, or system of right-doing, though revealed unto

babes, is hidden from those deemed wise and prudent, and

that what the common people heard gladly was foolishness

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to the learned scribes and pharisees. With illustrations

of this principle the history of accepted opinion in every

time and place abounds.

It is not to the fancies of childhood that we must look

for an explanation of the strength of long dominant

absurdities. Michelet ("The People v ) truly says: "No

consecrated absurdity would have stood its ground in this

world if the man had not silenced the objection of the child."

But not to depart from the matter in hand : It is evi-

dent that the existence of a powerful class whose incomes

could not fail to be endangered by a recognition of the fact

that what makes them individually wealthy is not any part

of the wealth of society, but only robbery, must from the

beginning of the cultivation of political economy in modern

times have beset its primary step, the determination of

what the wealth of society consists of, with something of

the same difficulty that prevented its development in classic

times. And when the development commenced, and

especially after it had been taken charge of by the colleges

and universities, which as at present constituted must be

peculiarly susceptible to the influence of the wealthy

classes, it is evident that the efforts of able men to bring

into some semblance of coherency a system of political

economy destitute of any clear and coherent definition of

wealth must have surrounded the subject with greater

perplexities and helped powerfully to prevent the need of

a definition of wealth from being felt.

This is precisely what we see when we examine the dif-

ferent attempts to define wealth in the economic sense,

and note the increasing confusions that have attended

them, culminating in the acceptance of the common mean-

ing of the word wealth— anything that has exchangeable

power— as the only meaning that can be given to the eco-

nomic term; and the consequent abandonment of the

possibility of a science of political economy.

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Archbishop Whately, in the chapter on ambiguous terms

appended to his " Elements of Logic/' says in speaking of

one of the ambiguities of the word wealth, that which

led to the use of wealth as synonymous with money :

The results have been fraud, punishment and poverty at home, and

discord and war without. It has made nations consider the wealth

of their customers a source of loss instead of profit ; and an advan-

tageous market a curse instead of a blessing. By inducing them to

refuse to profit by the peculiar advantages in climate, soil or indus-

try, possessed by their neighbors, it has forced them in a great

measure to give up their own. It has for centuries done more, and

perhaps for centuries to come will do more, to retard the improve-

ment of Europe than all other causes put together.

In this, the Archbishop, though famous as a logician,

"puts the cart before the horse."

These are not the effects of the confusion of a term.

The confusion of the term is one of the effects of the in-

fluence upon thought of the same special interest that in

its efforts to give wealth to individuals at the expense of

the general wealth, has done and is doing all this.

Nor can this power of a great pecuniary interest to

affect thought, and especially to affect thought in those

circles of society whose opinions are most respected, ever

be done away with save by the abolition of its cause-— the

social adjustment or institution that gives power to obtain

wealth without earning it. The pecuniary interest in the

ownership of slaves was never very large in the United

States. But it so dominated the thought of the whole

country that up to the outbreak of the civil war the term

abolitionist was to good, kindly and intelligent people

even in the North an expression that meant everything

vile and wicked. And whatever else might have been the

issue of the war, had the pecuniary interest in the main-

tenance of slavery remained, it would still have continued

to show itself in thought. But as soon as the supplies of

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the slave-owning interest were cut off by the freeing of

the slaves this power upon opinion vanished. Now, no

preacher, professor or politician, even in the South, would

think of advocating or defending slavery ; and in Boston,

where he narrowly escaped mobbing, stands a public statue

of William Lloyd Garrison.

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CHAPTER III.

WHAT ADAM SMITH MEANT BY WEALTH.

SHOWING HOW ESSENTIALLY ADAM SMITH'S PRIMARY CON-

CEPTION OF WEALTH DIFFERED FROM THAT NOW HELD

BY HIS SUCCESSORS.

Significance of the title "Wealth of Nations"— Its origin shown in

Smith's reference to the Physiocrats— His conception of wealth

in his introduction— Objection by Malthus and by Macleod—

Smith's primary conception that given in " Progress and Poverty n

—His subsequent confusions.

IF, considering the increasing indefiniteness among pro-

fessed economists as to the nature of wealth, we com-

pare Adam Smith's great book with the treatises that have

succeeded it, we may observe on its very title-page some-

thing usually unnoticed, but really very significant. Adam

Smith does not propose an inquiry into the nature and

causes of wealth, but "an inquiry into the nature and

causes of the wealth of nations"

The words I here italicize have become the descriptive

title of the book. This is known, not as " Adam Smith's

Inquiry/' or "Adam Smith's Wealth," but as "Adam

Smith's Wealth of Nations." Yet these limiting words,

"of nations," seem to have been little noticed and less

understood by the writers who in increasing numbers for

almost a hundred years have taken this great book as a

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basis for their elucidations and supposed improvements.

Their assumption seems to be that it is wealth generally or

wealth without limitation which Adam Smith treats of and

which is the proper subject of political economy, and that

if he meant anything by his determining words "of na-

tions/' he referred to such political divisions as England,

France, Holland, etc.

Some superficial plausibility is perhaps given to this

view from lie fact that one of the divisions of the " Wealth

of Nations," Book III., is entitled " Of the Different Prog-

ress of Opulence in Different Nations," and that in it illus-

trative reference is made to various ancient and modern

states. But that in his choice of the limiting words " of

nations " as indicating the kind of wealth into the nature

and causes of which he proposed to inquire, Adam Smith

referred to something other than the political divisions of

mankind called states or nations, is sufficiently clear.

While he is, as I have said, not very definite and not

entirely consistent in his use of the term wealth, yet it

is certain that what he meant by " the wealth of nations,"

of the nature and causes of which he proposed to inquire,

was something essentially different from what is meant by

wealth in the ordinary use of the word, which includes as

wealth everything that may give wealthiness to the indi-

vidual considered apart from other individuals. It was

that kind of wealth the production of which increases and

the destruction of which decreases the wealth of society as

a whole, or of mankind collectively, which he sought to

distinguish from the word "wealth" in its common or

individual sense by the limiting words, " of nations," in the

meaning not of the larger political divisions of mankind,

but of societies or social organisms.

In the body of the "Wealth of Nations" there occurs

again the phrase which furnished Adam Smith the title

for his ten years' work. In Book IV., speaking of those

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members of "the French republic of letters" who at that

time called themselves and were called " Economists," but

who have been since distinguished from other economists,

real or pretended, by the name of Physiocrats \*— a school

who might be better still distinguished as the Single Taxers

of the Eighteenth Century, he says (the italics are mine) :

This sect, in their works, which are very numerous, and which

treat not only oiwhat is properly called political economy, or of the

nature and causes of the wealth of nations, but of every other branch

of the system of civil government, all follow implicitly, and without

any sensible variation, the doctrines of Mr. Quesnai.

This recognition of the fact that, not wealth in the loose

and common sense of the word, but that which is wealth

to societies considered as wholes, or as he phrased it, " the

wealth of nations," is the proper subject-matter of what is

properly called political economy— shows the origin of the

title Adam Smith chose for his book. He had doubtless

thought of calling it a "Political Economy," but either

from the consciousness that his work was incomplete, or

from the modesty of his real greatness, finally preferred

the less pretentious title, which expressed to his mind the

same idea, " An inquiry into the Nature and Causes of

the Wealth of Nations."

It has been much complained of Adam Smith that he

does not define what he means by wealth. But this has

been exaggerated. In the very first paragraph of the

introduction to his work he thus explains what he means

by the wealth of nations, the only sense of the word wealth

which it is the business " of what is properly called politi-

cal economy" to consider:

\* From physiocrafie, or government in the nature of things, or nat-

ural order, a name suggested, in 1768, by Dupont de Nemours, one

of the most aetive of their number.

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The annual labor of every nation is the fund which originally sup-

plies it with all the necessaries and conveniences of life which it

annually consumes, and which consist always either in the immedi-

ate produce of that labor, or in what is purchased with that produce

from other nations.

Again, in the last sentence of this introduction he speaks

of u the real wealth, the annual produce of the land and

labor of the society." And in other places throughout the

book he also speaks of this wealth of society or wealth of

nations, or real wealth, as the produce of land and labor.

What he meant by the produce of land and labor was of

course not the produce of land plus the produce of labor,

but the joint produce of both— that is to say : the result of

labor, the active factor of all production, exerted upon land,

the passive factor of all production, in such a way as to fit

it (land or matter) for the gratification of human desires.

Malthus, indorsed by McCulloch and a long line of com-

mentators upon Adam Smith, objects to his definition that

" it includes all the useless products of the earth, as well

as those which are appropriated and enjoyed by man."

And in the same way Macleod, a recent writer whose ability

to say clearly what he wants to say makes his " Elements

of Economics," despite its essential defects, a grateful relief

among economic writings, objects that if —

the annual produce of land and labor, either separately or combined,

is wealth, then every useless product of the earth is wealth, as well

as the most useful— the tares as well as the wheat. If a diver fetch

a pearl oyster from the deep sea, the shell is as much the "produce

of land and labor " as the pearl itself. So if a nugget of gold or a

diamond is obtained from a mine, the rubbish it is found in and

brought up with is as much the "produce of land and labor" as the

gold or the diamond ; and innumerable instances of this sort may be

cited.

The communication of thought by speech would be at

an end if Adam Smith could be asked to explain that the

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produce of labor means what the labor is exerted to get,

not what it is incidentally obliged to remove in the process

of getting that. Yet most of the complaints of his failure

to say what he means by wealth have no better basis than

these objections.

In truth whoever will attend to the obvious meaning of

the word he uses will see that what Adam Smith meant by

"the wealth of nations" or wealth in the sense it is to be

considered in " what is properly called political economy,"

is in reality what in the chapter of " Progress and Poverty »

entitled " The Meaning of the Terms " (Book I., Chapter II.)

is given as the proper meaning of the economic term-

namely, that of " natural products that have been secured,

moved, combined, separated, or in other ways modified by

human exertion, so as to fit them for the gratification of

human desires."

Through the first and most important part of his work,

this is the idea which Smith has constantly in mind and

to which he constantly adheres in tracing all production

of wealth to labor. But having grasped this idea of the

nature of wealth without having clearly defined its relation

to other ideas still lying in his mind, he falls into the sub-

sequent confusion of also classing personal qualities and

debts as wealth.

CHAPTER IV.

THE FRENCH PHYSIOCRATS.

SHOWING WHO THE FIRST DEVELOPERS OP A TRUE SCIENCE

OP POLITICAL ECONOMY WERE, AND WHAT THEY HELD.

Quesnay and his followers— The great truths they grasped and the

cause of the confusion into which they fell— This used to dis-

credit their whole system, but not really vital— They were real

free traders— The scant justice yet done them— Reference to

them in "Progress and Poverty"— Macleod's statement of their

doctrine of natural order— Their conception of wealth— Their

day of hope and their fall.

THE first developers in modern times of something

like a true science of political economy, or, rather

(since social truths, though they may be covered up and

for a while ignored, must since the origin of human so-

ciety always have been here to be seen), the men who first

got a hearing large enough and wide enough to bring

down their names and their teachings to our times, were

the French philosophers whom Adam Smith speaks of in

the sentence before quoted, as the sect who "all follow

implicitly, and without any sensible variation, the doctrines

of Mr. Quesnai."

Francois Quesnai, or Quesnay, as the name is now usu-

ally spelled, a French philosopher, who, as McCulloch says,

was " equally distinguished for the subtlety and originality

of his understanding and the integrity and simplicity of

his character," was born June 4, 1694, twenty-eight years

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before Adam Smith, at Mercy, some ten leagues from Paris.

Beginning life in the manual labor of the farm, he was

without either the advantages or, as they often prove to

men of parts, the disadvantages of a scholastic education.

With much effort he taught himself to read, became ap-

prentice to a surgeon, and at length began practice for

himself at Mantes, where he acquired some means and

came to the knowledge of Marshal de Noailles, who spoke

of him to the queen, who in her turn recommended him

to the king. He finally settled in Paris, bought the place

of physician to the king, and was made by the monarch

his first physician. Abstaining from the intrigues of the

court, he won the sincere respect of Louis XV., with whom

as his first physician he was brought into close personal

contact. The king made him a noble, gave him a coat of

arms, assigned him apartments in the palace, calling him

affectionately his thinker, and had his books printed in

the royal printing-office. And around him, in his apart-

ments in the palace of Versailles, this "King's Thinker"

was accustomed to gather a group of eminent men who

joined him in an aim the grandest the human mind can

entertain— being nothing less than the establishment of

liberty and the abolition of poverty among men, by the

conformation of human laws to the natural order intended

by the Creator.

These men saw what has often been forgotten amid the

complexities of a high civilization, but is yet as clear as

the sun at noonday to whoever considers first principles.

They saw that there is but one source on which men can

draw for all their material needs— land ; and that there is

but one means by which land can be made to yield to

their desires— labor. All real wealth, they therefore saw,

all that constitutes or can constitute any part of the wealth

of society as a whole, or of the wealth of nations, is the

result or product of the application of labor to land.

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They had not only grasped this first principle— from

which any true economy, even that of a savage tribe or an

isolated individual, must start— but they had grasped the

central principle of a true political economy. This is the

principle that in the natural growth of the social organism

into which men are integrated in society there is developed

a fund which is the natural provision for the natural needs

of that organism— a fund which is not merely sufficient

for all the material wants of society, and may be taken

for that purpose, its intended destination, without depriv-

ing the unit of anything rightfully his j but which must be

so taken to prevent the gravest injuries to individuals and

the direst disasters to the state.

..- ' This -funcT Quesnay andi ris f o lio w om Biylv tiTtiQeproduit

net— the net, or surplus, or remaining, productT^-They

called it this, evidently because they saw it as something

which remained, attached, as it were, to the control of

land, after all the expenses of production that are resolvable

- into compensation for the exertion of individual labor are

paid. What they really meant by the produij mt, or net

product, is precisely what is properly to be understood in

English by the word " rent " when used in the special sense

or technical meaning wElCh it has acquired since Ricardo's

time as a term of political economy. Net product is really

a better term than rent, as not being so liable to confusion

with a word in constant use in another sense ; and John

Stuart Mill, probably without thought of the Physiocrats,

came very close to the perception that governed their

choice of a term when he spoke of economic rent as "the

unearned increment of land values. ,,

That Quesnay and his associates saw the enormous sig-

nificance of this "net product" or "unearned increment n

for which our economic termus-^xent/lis clear from their

practical propositi^ jthe-fmjp<!ft unique, oVsingle tax. By

this they meant just what itsjnodern advocates now mean

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by it— the abolition of all taxes whatever on the making,

the exchanging or the possession of wealth in any form,

and the recourse for public revenues to economic rent;

the net or surplus product ; the (to the individual) unearned

increment which attaches to land wherever in the progress

of society any particular piece of land comes to afford to

the user superior opportunities to those obtainable on land

that any one is free to use.

In grasping the real meaning and intent of the net prod-

uct, or economic rent, there was opened to the Physiocrats

a true system of political economy —a system of harmonious

order and beneficent purpose. They had grasped the key

without which no true science of political economy is pos-

sible, and from the refusal to accept which the scholastic

economy that has succeeded Adam Smith is, after nearly

a hundred years of cultivation, during which it has sunk

into the contemptible position of " the dismal science," now

slipping into confessed incompetency and rejection.

But misled by defective observation and a habit of

thought that prevailed long after them, and indeed yet

largely prevails (a matter to which I shall subsequently

more fully allude), the Physiocrats failed to perceive that

what they called the net or surplus product, and what we

now call economic rent, or the unearned increment, may

attach to land used for any purpose. Looking for some

explanation in natural law" of "what was then doubtless

generally assumed to be the fact, and of which I know of

no clear contradiction until "Progress and Poverty" was

written, that agriculture is the only occupation which

yields to the landlord a net or surplus product, or unearned

increment (rent), over and above the expenses of produc-

tion, they not unnaturally under the circumstances hit

upon a striking difference between agriculture, which

grows things, and the mechanical and trading occupations,

which merely change things in form, place or ownership,

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as furnishing the explanation for which they were in

search. This difference lies in the use which agriculture

makes of the generative or reproductive principle in

nature.

This supposed fact, and what seemed to them the ra-

tional explanation of it, in the peculiar use made in agri-

culture of the principle of growth and reproduction which

characterizes all forms of life, vegetable and animal, the

Physiocrats expressed in their terminology by styling

agriculture the only productive occupation. All other

occupations, however useful, they regarded as sterile or

barren, insomuch as under the fact assumed such occu-

pations give rise to no net produce or unearned increment,

merely returning again to the general fund of wealth, or

gross product, the equivalent of what they had taken from

it in changing the form, place or ownership of material

things already in existence.

This was their great and fatal misapprehension, since it

has been effectually used to discredit their whole system.

Still, it was not really a vital mistake. That is to say,

it made no change in their practical proposals. The fol-

lowers of Quesnay insisted that agriculture, in which they

admitted fisheries and mines, was the only productive

occupation, or in other words the only application of labor

that added to the sum of wealth ; while manufactures and

exchange, though useful, were sterile, merely changing the

form or place of wealth without adding to its sum. They,

however, proposed no restrictions or disabilities whatever

on the occupations they thus stigmatized. On the con-

trary, they were— what the so-called "English free traders"

who have followed Adam Smith never yet have been—

free traders in the full sense of the term. In their practical ^f

proposition, the single tax, they proposed the only means

by which the free trade principle can ever be carried to its

logical conclusion— the freedom not merely of trade, but

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of all other forms and modes of production, with full free-

dom of access to the natural element which is essential to

all production. They were the authonrof the mettjp that\_.

in the English use of the phrase ('Laissez fajre?"^" Let

things alone," has been so emasculated and perverted, but

which on their lips was, " Laissez faire, laissez aller," " Clear

the ways and let things alone ! " This is said to come

from the cry that in medieval tournaments gave the signal

for combat. The English motto which I take to come

closest to the spirit of the French phrase is, " A fair field

and no favor ! n

It is for the reason that of all modern philosophers they

not only were the first, but were really true free traders,

that I dedicated to the memory of Quesnay and his fellows

my " Protection or Free Trade ,? (1885), saying :

By thus carrying the inquiry beyond the point where Adam Smith

and the writers who have followed him have stopped, I believe I have

stripped the vexed tariff question of its greatest difficulties, and have

cleared the way for the settlement of a dispute which otherwise might

go on interminably. The conclusions thus reached raise the doctrine

of free trade from the emasculated form in which it has been taught

by the English economists to the fullness in which it was held by the

predecessors of Adam Smith, those illustrious Frenchmen, with whom

originated the motto " Laissez faire," and who, whatever may have

been the confusions of their terminology or the faults of their method,

grasped a central truth which free traders since their time have ignored.

These French " Economists/' now more definitely known

as Physio crats, or single taxers, had got hold of what in

its bearingfiTbn^philbsopKy and politics is probably^the

greatest of truths ; but had got hold of it through curi-

ously distorted apprehensions. It was to them, however,

like a rainbow seen through clouds. They did not see the

full sweep of the majestic curve, and endeavored to piece

out their lack of insight with a confused and confusing

terminology. But what they did see showed them its trend,

and they felt that natural laws could be trusted where

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attempts to order the world by human legislation would

be certain to go astray.

Yet nothing better shows the importance of correct

theory to the progress of truth against the resistance of

powerful special interests than the complete overthrow of

the Physiocrats. Their mistake in theory has sufficed to

prevent, or perhaps rather to furnish a sufficient excuse to

prevent the justice and expediency of their practical pro-

posal from being considered.

I know of no English writer on the Physiocrats or their

doctrines who seems to have understood them or to have

had any glimmering that the truth which lay behind their

theory that agriculture is the only productive occupation

was an apprehension of what has since been known as

the Ricardian doctrine of rent, carried out further than

Ricardo carried it, to its logical results ; but apprehended,

as indeed Ricardo himself seems to have apprehended it,

only in its relations to agriculture.

In " Progress and Poverty," after working out what I

believe to be the simple yet sovereign remedy for the con-

tinuance of wide-spread poverty amid material progress, I

thus, in the chapter entitled "Indorsements and Objec-

tions " (Book VIII., Chapter IV.), refer to the Physiocrats :

In fact, that rent should, both on grounds of expediency and jus-

tice, be the peculiar subject of taxation, is involved in the accepted

doctrine of rent, and may be found in embryo in the works of all

economists who have accepted the law of Ricardo. That these prin-

ciples have not been pushed to their necessary conclusions! as I have

pushed them, evidently arises from the indisposition to endanger or

offend the enormous interest involved in private ownership in land,

and from the false theories in regard to wages and the cause of pov-

erty which have dominated economic thought.

But there has been a school of economists who plainly perceived,

what is clear to the natural perceptions of men when uninfluenced

by habit— that the revenues of the common property, land, ought to

be appropriated to the common service. The French Economists of

the last century, headed by Quesnay and Turgot, proposed just what

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I have proposed, that all taxation should be abolished save a tax upon\*

the value of land. As I am acquainted with the doctrines of Ques-

nay and his disciples only at second hand through the medium of the

English writers, I am unable to say how far his peculiar ideas as to

agriculture being the only productive avocation, etc., are erroneous

apprehensions, or mere peculiarities of terminology. But of this I

am certain from the proposition in which his theory culminated— that

he saw the fundamental relation between land and labor which has

since been lost sight of, and that he arrived at practical truth, though,

it may be, through a course of defectively expressed reasoning.

The causes which leave in the hands of the landlord a "produce

net" were by the Physiocrats no better explained than the suc-

tion of a pump was explained by the assumption that nature abhors

a vacuum ; but the fact in its practical relations to social economy

was recognized, and the benefit which would result from the perfect

freedom given to industry and trade by a substitution of a tax on

rent for all the impositions which hamper and distort the application

of labor, was doubtless as clearly seen by them as it is by me. One

of the things most to be regretted about the French Revolution is

that it overwhelmed the ideas of the Economists, just as they were

gaining strength among the thinking classes, and were apparently

about to influence fiscal legislation.

Without knowing anything of Quesnay or his doctrines, I have

reached the same practical conclusion by a route which cannot be

disputed, and have based it on grounds which cannot be questioned

by the accepted political economy.

The best English account of the Physiocratic views that

I now know of is that given by Henry Dunning Macleod,

in his "Elements of Economics" (1881). He seems to

have no notion of the truth that lay at the bottom of a

mistake that has caused their great services to be all but

forgotten, and which I shall take opportunity in a subse-

quent book more fully to explain. To him it is " simply

incomprehensible how men of the ability of the Physio-

crats could maintain that a country could not be enriched

by the labor of artisans and by commerce." This he styles

" one of those aberrations of the human intellect which we

can only wonder at and not explain." But nevertheless

he awards them the honor of being the founders of the

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science of political economy, declares that in spite of their

errors " they are entitled to imperishable glory in the his-

tory of mankind/' and gives in his own language an out-

line of their doctrine, from which (Book I., Chapter V.,

Sec. 3) I take the following :

The Creator has placed man upon the earth with the evident in-

tention that the race should prosper, and there are certain physical

and moral laws which conduce in the highest degree to ensure his

preservation, increase, well-being, and improvement. The correla-

tion between these physical and moral laws is so close that if either

be misunderstood, through ignorance or passion, the others are also.

Physical nature, or matter, bears to mankind very much the relation

which the body does to the soul. Hence the perpetual and necessary

relation of physical and moral good and evil on each other.

Natural -ju stice is the conformity of h uman law s and actions to

natural order, anjLthis collection of physical and moral laws existed

before any positive institutions among men. And while their obser-

vance produces the highest degree of prosperity and well-being

among men, the non-observance or transgression of them is the cause

of the extensive physical evils which afflict mankind.

If such a natural law exists, our intelligence is capable of under-

standing it ; for, if not, it would be useless, and the sagacity of the

Creator would be at fault. As, therefore, these laws are instituted

by the Sunifini&JBeing, all men and all states ought to be governed

by them. They are immutable and M&agable, and the best possi-

- ble laws : therefore necessarily the basis of the most perfect govern-

ment, and the fundamental rule of all positive laws, which are only

for the purpose of upholding natural order, evidently the most

advantageous for the human race.

The evident object of the Creator being the preservation, the in-

crease, the well-being, and the improvement of the race, man neces-

sarily received from his origin not only intelligence, but instincts

' conformable to that end. Every one feels himself endowed with the

triple instincts of w ell-be ing, so ciabili ty, and justice. He understands

that the isolation of the brute is not suitable" to his double nature,

and that his physical and moral wants urge him to live in the society

of his equals in a state of peace, good-will, and concord.

He also recognizes that other men, having the same wants as him-

self, cannot have less rights than himself, and therefore he is bound

to respect this right, so that other men may observe a similar obli-

gation towards him.

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These ideas— the product of reason, the necessity of work, the

necessity of society, and the necessity of justice— imply three others

—liberty, property, and authority, which are the three essential terms

of all social order.

How could man understand the necessity of labor to obey the ir-

resistible instinct of his preservation and well-being, without con-

ceiving at the same time that the instrument of labor, the physical

and intellectual qualities with which he is endowed by nature, be-

longs to him exclusively, without perceiving that he is master and

the absolute proprietor of his person, that he is born and should re-

main freef

But the idea of liberty cannot spring up in the mind without asso-

ciating with it that of property, in the absence of which the first

would only represent an illusory right, without an object. The free-

dom the individual has of acquiring useful things by labor supposes

necessarily that of preserving them, of enjoying them, and of dispos-

ing of them without reserve, and also of bequeathing them to his

family, who prolong his existence indefinitely. Thus liberty con-

ceived in this manner becomes property, which may be conceived in

two aspects as it regards movable goods on the earth, which is the

source from which labor ought to draw them. - —

At first property was principally movable j but when the cultiva-

tion of the earth was necessary for the preservation, increase, and

improvement of the race, individual appropriation of the soil became

necessary, because no other system is so proper to draw from the

earth all the mass of utilities it can produce ; and, secondly, because ' \*»

the collective constitution of property would have produced many ^^ /\*\_

inconveniences as \*to sharing of the fruits, which would not arise ^•\* -L ^

from the division of the land, by which the rights of each are fixed

in a clear and definite manner. Property in land, therefore, is the

necessary and legitimate consequence of personal and movable prop-

erty. Every man has, then, centered in him by the laws of Provi-

dence, certain rights and duties ; the right of enjoying himself to the

utmost of his capacity, and the duty of respecting similar rights in

others. The perfect respect and protection of reciprocal rights and

duties conduces to production in the highest degree, and the obtain-

ing the greatest amount of physical enjoyments.

The Physiocrats, then, placed absolute freedom, or property— as

the fundamental right of man— freedom of Person, freedom of Opin-

ion, and freedom of Contract, or Exchange; and the violation of

these as contrary to the law of Providence, and therefore the cause

of all evil to man. Quesnay's first publication, "Le Droit Naturel/'

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contains an inquiry into these natural rights ; and he afterwards, in

another called "General Maxims of the Economical Government of

an Agricultural Kingdom/' endeavored to lay down in a series of

thirty maxims, or fundamental general principles, the whole bases

of the economy of society. The 23d of these declares that a nation

suffers no loss by trading with foreigners. The 24th declares the

fallacy of the doctrine of the balance of trade. The 25th says : " Let

entire freedom of commerce be maintained; for the regulation of

commerce, both internal and external, the most sure, the most true,

the most profitable to the nation and to the state, exists in entire

freedom of competition/' In these three maxims, which Quesnay

and his followers developed, was contained the entire overthrow of

the existing system of Political Economy ; and notwithstanding cer-

tain errors and shortcomings, they are unquestionably entitled to be

considered as the founders of the science of Political Economy.

Wealth, in the economic sense of the wealth of societies,

or the wealth of nations, Macleod goes on to state, the

Physiocrats held to consist exclusively of material things,

drawn from land— to man the source of all material things

—by the exertion of labor, and possessing value in ex-

change, or exchangeability ; a distinction which they recog-

nized as essentially different from, and not necessarily

associated with, value in use or usefulness. That man

can neither create nor annihilate matter they repeated

again and again in such phrases as: "Man can create

nothing," and " Nothing can come out of nothing." They

expressly excluded land itself and labor itself, and all

personal capacities and powers and services, from the

category of wealth, and were far ahead of their time in

deriving the essential quality of money from its use in

serving as a medium of exchange, and in including all

usury laws in the restrictions that they would sweep

away.

That these men rose in France, and as it were in the

very palace of the absolute king, just as the rotten Bour-

bon dynasty was hastening to its fall, is one of the most

striking of the paradoxes with which history abounds.

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Never, before nor since, out of the night of despotism

gleamed there such clear light of liberty.

They were deluded by the idea— the only possibility in

fact, under existing conditions of carrying their views into

effect in their time— that the power of a king whose pre-

decessor had said, " I am the state ! " might be utilized to

break the power of other special interests, and to bring lib-

erty and plenty to Prance, and through France to the world.

They had their day of hope, and almost it must have

seemed of assured triumph, when in 1774, three months

before Quesnay's death, Turgot was made Finance Minister

of Louis XVI., and at once began clearing the ways by

cutting the restrictions that were stifling French industry.

But they leaned on a reed. Turgot was removed. His

reforms were stopped. The pent-up misery of the masses,

which they had been so largely instrumental in showing

utterly repugnant to the natural order, burst into the blind

madness of the great revolution. The Physiocrats were

overthrown, many of them perishing on the guillotine, in

prison or in exile. In the reaction which the excesses of

that revolution everywhere produced among those most

influencing thought, the propertied and the powerful, the

Physiocrats were remembered merely by their unfortunate

misapprehension in regarding agriculture as the only pro-

ductive occupation.

France will some day honor among the noblest the cen-

turies have given her the names of Quesnay, and Gournay,

and Turgot, and Mirabeau, and Oondorcet, and Dupont,

and their fellows, as we shall have in English, intelligent

explanations, if not translations of their works. But,

probably for the reason that France has as yet felt less

than the English and Teutonic and Scandinavian nations

the influence of the new philosophy of the natural order,

best known as the Single Tax, the teachings of these men

seem at present, even in France, to be practically forgotten.

CHAPTER V.

ADAM SMITH AND THE PHYSIOCRATS.

SHOWING THE RELATION BETWEEN ADAH SMITH AND THE

PHYSIOCRATS.

Smith and Quesnay— The "Wealth of Nations" and Physiocratio

ideas— Smith's criticism of the Physiocrats— His failure to ap-

preciate the single tax— His prudence.

ON the continental trip he made between 1764 and

1766, after resigning his Glasgow professorship of

moral philosophy to accompany as tutor the young Duke of

Buccleuch, Adam Smith made the personal acquaintance

of Quesnay and some of the "men of great learning and

ingenuity," who regarded the "King's Thinker \* with an

admiration "not inferior to that of any of the ancient

philosophers for the founders of their respective systems,"

and was, while in Paris, a frequent and welcome visitor at

the apartments in the palace, where, unmindful of the

gaieties and intrigues of the most splendid and corrupt

court of Europe that went on but a floor below them, this

remarkable group discussed matters of the highest and

most permanent interest to mankind.

This must have been a fruitful time in Adam Smith's

intellectual life. During this time the almost unknown

Scottish tutor, notable among his few acquaintances for

his fits of abstraction, must have been mentally occupied

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with the work which ten years after was to begin a fame

that for more than a century has kept him at the very head

of economic philosophers and in the first rank of the per-

manently illustrious men of his generation.

Upon this work he entered immediately after his return

from the continent, in the leisure afforded him by the

ample pension that the trustees of the Duke had agreed

should continue until he could be provided with a profit-

able government place. The Duke himself, on coming to

his majority and estates, seems to have made no effort to

release himself from this payment by securing such a

place for the man whom he always continued to regard

with respect and affection, thinking doubtless that its

duties, however nearly nominal, might somewhat interfere

with his freedom to devote himself to his long work. And

when, the " Wealth of Nations " having been at last pub-

lished, its author was appointed by Lord North to be one

of the Commissioners of Customs in Scotland— an appoint-

ment which seems to have been due to the gratitude of the

Premier for hints received from that book as to new

sources of taxation rather than to any pressure of the

Buccleuch interest, and which raised the simple-mannered

student to comparative opulence— the Duke insisted on

making no change in his payment, but continued the

pension for life.

The " liberal and generous system " of the French Econ-

omists could not fail to appeal powerfully to a man of

Adam Smith's disposition, and the " Wealth of Nations"

bears ample evidence of the depth of the opinion he in one

place expresses in terms, that this system, "with all its

imperfections, is perhaps the nearest approximation to the

truth that has yet been published upon the subject of

political economy.' 7 It was indeed his original intention

as stated to his friend and biographer, Professor Dugald

Stewart, to dedicate to Quesnay the fruits of his ten years'

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application. But the French philosopher died in 1774,

two years before the Scotsman's great work saw the light.

Thus it appeared without any indication of an intention

which, had it been expressed, might, in the bitter prejudice

soon afterwards aroused against the Physiocrats by the

outbreak of the French Revolution, have seriously mili-

tated against its usefulness.

The resemblance of the views expressed in this work to

those held by the Physiocrats has, however, been noticed

by all critics, and both on the side of their opponents and

their advocates there have not been wanting intimations

that Smith borrowed from them. But while he must have

been eminently ready to absorb any idea that commended

itself to his mind, there is no reason to regard these views

as not originally Adam Smith's own. The keenness of

observation and analysis, the vigor of imagination and

solidity of learning, that characterize the "Wealth of Na-

tions " are shown in the " Theory of the Moral Sentiments,"

written before Smith had left the University of Glasgow,

and which indeed led to the invitation that he should ac-

company the young nobleman on his trip. They are shown

as well in the paper on the formation of languages, and

the papers on the principles which lead and direct philo-

sophical inquiry, as illustrated in the history of various

sciences, which are usually published with that work. It

appears from the " Theory of the Moral Sentiments n that

Adam Smith was even then meditating some such a book

as the "Wealth of Nations," and there is no reason to

suppose that without knowledge of the Physiocrats it

would have been essentially different.

It is a mistake to which the critics who are themselves

mere compilers are liable, to think that men must draw

from one another to see the same truths or to fall into the

same errors. Truth is, in fact, a relation of things, which

is to be seen independently because it exists independently.

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Error is perhaps more likely to indicate transmission from

mind to mind; yet even that usnally gains its strength

and permanence from misapprehensions that in them-

selves have independent plausibility. Snch relations of

the stars as that appearance in the north which we call

the Dipper or Great Bear, or as that in the south which

we call the Southern Cross, are seen by all who scan the

starry heavens, though the names by which men know

them are various. And to think that the sun revolves

around the earth is an error into which the testimony of

their senses must cause all men independently to fall,

until the first testimony of the senses is corrected by

reason applied to wider observations.

In what is most important, I have come closer to the

views of Quesnay and his followers than did Adam Smith,

who knew the men personally. But in my case there was

certainly no derivation from them. I well recall the day

when, checking my horse on a rise that overlooks San

Francisco Bay, the commonplace reply of a passing team-

ster to a commonplace question, crystallized, as by light-

ning-flash, my brooding thoughts into coherency, and I

there and then recognized the natural order— one of those

experiences that make those who have had them feel there-

after that they can vaguely appreciate what mystics and

poets have called the " ecstatic vision." Yet at that time

I had never heard of the Physiocrats, or even read a line

of Adam Smith.

Afterwards, with the great idea of the natural order in

my head, I printed a little book, "Our Land and Land

Policy," in which I urged that all taxes should be laid on

the value of land, irrespective of improvements. Casually

meeting on a San Francisco street a scholarly lawyer,

A. B. Douthitt, we stopped to chat, and he told me that

what I had in my little book proposed was what the French

" Economists \* 4 hundred years before had proposed.

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I forget many things, bnt the place where I heard this,

and the tones and attitude of the man who told me of it,

are photographed on my memory. For, when you have

seen a truth that those around you do not see, it is one of

the deepest of pleasures to hear of others who have seen

it. This is true even though these others were dead years

before you were born. For the stars that we of to-day see

when we look were here to be seen hundreds and thou-

sands of years ago. They shine on. Men come and go,

in their generations, like the generations of the ants.

This pleasure of a common appreciation of truth not yet

often accepted, Adam Smith must have had from his in-

tercourse with the Physiocrats. Widely as he and they

may have differed, there was yet much that was common

in their thought. He was a free trader as they were,

though perhaps not so logical and thorough-going. And

though differing in temper and widely differing in condi-

tions, both were bent on struggling against what must

have seemed at the time insuperable difficulties.

Adam Smith's knowledge of, and admiration for, the

Physiocrats must at least have affected his thought and

expression, sometimes by absorption and sometimes per-

haps by reaction. But no matter how much of his eco-

nomic views were original with him and how much he

imbibed consciously or unconsciously from them, it is

certain that his political economy, as far as it goes on all

fours, is the system of natural order proclaimed by them.

What Adam Smith meant by the wealth of nations is in

most cases, and wherever he is consistent, the material

things produced from land by labor which constitute the

necessities and conveniences of human life ; the aggregate

produce of society, using the word produce as expressive

of the sum of material results, in the same way that we

speak of agricultural produce, of factory produce, of the

produce of mines, or fisheries, or the chase. Now this is

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what the Physiocrats meant by wealth, or as they some-

times termed it, the gross product of land and labor.

But this is also, as I shall hereafter show, the primary

or root meaning of the word wealth in its common use.

And whoever will read Smith's " Considerations Concerning

the First Formation of Languages/' originally published

with his "Moral Sentiments," in 1759, will see from his

manner of tracing words to their primary uses, that when-

ever he came to think of it, he would have recognized the

original and true meaning of the word wealth to be that

of the necessities and conveniences of human life, brought

into being by the exertion of labor upon land.

The difference between Smith and the Physiocrats is

this: V^

The Physiocrats, on their part, clearly laid down and

steadily contended that nothing that did not have material

existence, or was not produced from land, could be included

in the category of the wealth of society. Adam Smith, how-

ever, with seeming inadvertence, has fallen in places into

the inconsistency of classing personal qualities and obliga-

tions as wealth. This is probably attributable to the fact

that what it seemed to him possible to accomplish was

much less than what the Physiocrats aimed at. The task

to which he set himself, that in the main of showing the

absurdity and impolicy of the mercantile or protective

system, was sufficiently difficult to make him comparatively

regardless of speculations that led far beyond it. With

the disproval of the current notion that the wealth of

nations consists of the precious metals, his care as to what

is and what is not a part of that wealth relaxed. He went

with the Physiocrats in their condemnation of the attempts

of governments to check commerce, but stopped both

where they had carried thd idea of freeing all production

from tax or restraint to the point of a practical proposi-

tion, and where they had fallen into obvious error. He

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neither proposed the single tax nor did he fall into the

mistake of declaring agriculture the only productive occu-

pation. That there is a natural order he saw ; and that

to this natural order our perceptions of justice conform,

he also saw. But that involved in this natural order is a

^provision for the material needs of advancing society he

seems never to have seen.

Whether Adam Smith's failure to grasp the great truth

that the French "Economists" perceived, though "as

through a glass, darkly/' was due to their erroneous way

of stating it, or to some of those environments of the

individual mind which seem on special points to close its

powers of perception, there is no means that I know of for

determining. Adam Smith saw that the Physiocrats must

be wrong in regarding manufactures and exchanges as

sterile occupations, but he did not see the true answer to

their contention, the answer that would have brought into

the light of a larger truth that portion of truth they had

wrongly apprehended. The answer he makes to them in

Book IV., Chapter IX., of the " Wealth of Nations " could

hardly have been entirely satisfactory to himself. In this

he does not venture to contend that the labor of artificers,

manufacturers and merchants is as productive of wealth

as the labor of agriculturists. He only contends that it is

not to be considered as utterly sterile, and that "the rev-

enue of a trading and manufacturing country must, other

things being equal, always be much greater than that of

one without trade and manufactures," because " a smaller

quantity of manufactured produce purchases a great

quantity of rude produce." That he himself, indeed, re-

garded agriculture as at least the most productive of occu-

pations is shown directly in other places in his great work.

And there is one part of this answer that is extremely

unsatisfactory and utterly out of its author's usual temper.

No one better than Adam Smith could see the fallacy of

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comparing a philosopher who declared that the political

body would thrive best under conditions of perfect liberty

and perfect justice with a physician who "imagined that

the health of the human body could be preserved only by

a certain precise regimen of diet and exercise." And that

he should resort to an illustration which depended for its

effect upon such a suppressio veri to explain or emphasize

his dissent from a man whom he esteemed so highly as

Quesnay, shows a latent uncertainty. Both in quality and

in temper of mind, Smith seems the last of men to use such

an argument except in despair of finding a better one.

There are passages in the "Wealth of Nations" where

Adam Smith checks his inquiry with a suddenness that

shows an indisposition to venture on ground that the pos-

sessing classes would deem dangerous. But in nothing he

left after him (just before his death he destroyed all manu-

scripts he did not wish published), is there an indication

that he was more than puzzled by the attempt of the

Physiocrats to explain the great truth that they saw with

wrong apprehension. He clearly perceived that " the prod-

uce of labor constitutes the natural recompense or wages

of labor," and that it was the appropriation of land that

had deprived the laborer of his natural due. But he had

evidently never looked further into the phenomena of rent

than to see that " the landlords, like all other men, love to

reap where they never sowed." He passes over the great

subject of the relations of men to the land they inhabit,

as though the appropriation by a few of what nature has

provided as the dwelling-place and storehouse of all must

now be accepted as if it were a part of the natural order.

And so, indeed, in his times and conditions it must have

appeared to him.

Even if Adam Smith had seen the place of the single

tax in the natural order, as the natural means for the

supply of the natural needs of civilized societies, prudence

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might well have suggested that his inquiry should not be

carried so far. I mean, not merely that prudence of the

individual which impelled Copernicus to withhold until

after his death any publication of his discovery of the

movement of the earth about the sun ; but that prudence

of the philosopher which, from a desire to do the utmost

that he can for Truth and Justice in his own time, may

prevent him from advancing a larger measure of truth

than his own time can receive.

In that part of the eighteenth century when the Physio-

crats dreamed that they were on the verge of carrying

their great reform and Smith wrote painfully his " Wealth

of Nations," there was a wide difference between the con-

ditions of France and Scotland.

Sheltered under the friendship of a king whose dynasty

had reduced the great feudal landlords to servitors and

courtiers; seeking with the aphorism, "Poor peasants,

poor kingdom ; poor kingdom, poor king, 7 ' to arouse the

strongest power in the state to the relief of the most

downtrodden ; cherishing the hope that the emancipation

of man might be accomplished by the short and royal road

of winning the mind and conscience of a young and ami-

able sovereign, the French philosophers might have some

prospect of getting a hearing in their advocacy of the

single tax. But, on the other side of the Channel, the

"landed interest," gorged with the spoil of Church and

Crown and peasants and clansmen, reigned supreme. For

a solitary man of letters to have attacked this supreme

power in front would have been foolishness.

That Adam Smith, "all-round man" that he was, pos-

sessed both the prudence of the man and the prudence of

the philosopher, is shown by the fact that he managed to

do what he did, without arousing in greater degree the ire

of the defenders of vested wrongs. Whoever will intelli-

gently read the "Wealth of Nations" will find it full of

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radical sentiment, an arsenal from which lovers of liberty

and justice may still draw weapons for victories remaining

to be won. Yet its author was a college professor, travel-

ing tutor of a duke, held a lucrative government position

and died Lord Rector of Glasgow University.

For the present times at least, the Scotsman succeeded

where the Frenchman failed. It is he, not Quesnay, who

has come down to us as the "father of political economy."

This position is recognized even by economists who differ

from what they deem his school. Thus Professor James,

of the University of Pennsylvania, himself belonging to

the "new school," says of Adam Smith in the article

"^Political Economy" in Lalor's Cyclopedia, 1884:

All theories and development of the preceding ages culminate in

him, all lines of development in the succeeding ages start from him.

His work has been before the public over one hundred years, and yet

no second book has been produced that deserves to be compared with

it in originality and importance. The subsequent history of the

science is mainly the history of attempts to broaden and deepen the

foundation laid by Adam Smith, to build the superstructure higher

and render it more solid.

It is for this reason that I take Adam Smith's "Wealth

of Nations" as the great landmark in the history of

Political Economy.

CHAPTER VI.

SMITH'S INFLUENCE ON POLITICAL ECONOMY.

SHOWING WHAT THE "WEALTH OF NATIONS" ACCOMPLISHED

AND THE COURSE OP THE SUBSEQUENT DEVELOPMENT OP

POLITICAL ECONOMY.

Smith, a philosopher, who addressed the cultured, and whose attack

on mercantilism rather found favor with the powerful landowners

—Not entirely exempt from suspicion of radicalism, yet pardoned

for his affiliation with the Physiocrats— Efforts of Malthus and

Ricardo on respectabilizing the science— The fight against the

corn-laws revealed the true beneficiaries of protection, but passed

for a free-trade victory, and much strengthened the incoherent

science— Confidence of its scholastic advocates— Say's belief in

the result of the colleges taking up political economy— Torrens's

confidence— Failure of other countries to follow England's ex-

ample— Cairnes doubts the effect of making it a scholastic study

—His sagacity proved by the subsequent breakdown of Smith's

economy— The true reason.

A DAM SMITH was not a propagandist or a politician,

J\. as were the Physiocrats. He was simply a philoso-

pher, addressing primarily a small, comfortable and cul-

tured class, whose sympathies and feelings were identified

with the existing social order, and he wielded a power

which requires the fruition of time and the opening of

opportunity for its culmination in action— a power which

men of affairs are in its first beginnings apt to underrate.

When the first few copies of my " Progress and Pov-

erty " were printed in an author's edition in San Francisco,

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a large landowner (the late General Beale, proprietor of

the Tejon Ranch, and afterwards United States Minister to

Austria), sought me to express the pleasure with which he

had read it as an intellectual performance. This, he said,

he had felt at liberty to enjoy, for to speak with the free-

dom of philosophic frankness, he was certain my work

would never be heard of by those whom I wished it to

affect.

In the same way, but to a much greater degree, the

small class whom alone the "Wealth of Nations n could

first reach were able to enjoy its greatness as an intellec-

tual performance that widened the circle of thought. Few

of them were disturbed by any fear of its ultimate effect

on special interests. At that time a popular press was

not yet in existence, and books of this kind were addressed

only to the " superior orders." The House of Commons,

the nominal representative of the unprivileged in Great

Britain, was filled by the appointees of the great land-

owners ; and the oligarchy that ruled in the British Islands

was really stronger than the similar class under the abso-

lute monarchy of France. It was only a few years before

the publication of the "Wealth of Nations" that the land-

lord's right of pit and gallows, i.e., of life and death, had

been abolished in Scotland, not as a matter of justice, but

by purchase, as a matter of dynastic expediency ; and work-

men in coal-pits and salt-works were still virtually slaves,

being formally denied the right of habeas carpus.

Adam Smith had avoided arousing antagonism from the

landed interests. And in turning the aggressive side of

the new science against the mercantile system, as he styled

what has since been known as the protective system, he

found favor with, rather than excited prejudice among,

the cultured class— the only class to which such a book as

his could at that time be addressed. Such a class, under

the conditions then existing in Great Britain, is apt to feel

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contempt tinged with anger for traders beginning to aspire

towards sharing the power and place of " born masters of

the soiL" Thus the indignation with which he speaks of .

how " the sneaking arts of underling tradesmen are erected

into political maxims for the conduct of a great empire,"

and with which he compares " the capricious ambition of

kings and ministers"— "the violence and injustice of the

rulers of mankind, for which, perhaps, the nature of human

affairs can scarce afford a remedy," with " the impertinent

jealousy, the mean rapacity, the monopolizing spirit of

merchants and manufacturers who neither are nor ought

to be the rulers of mankind," could not fail to strike a

sympathetic chord in the spirit then intellectually as

politically dominant in Great'Britain. This would render

unnoticed the quiet way in which he shows that " superi-

ority^ birth " is but " an ancient superiority of fortune " \*

and attributes the difference between the philosopher and

the street porter to the difference in the accidents under

which they have been placed.

Yet with the outbreak of the French Revolution the

radicalism of the " Wealth of Nations " did not pass en-

tirely unnoticed. A note appended by Dugald Stewart, in

1810, to the second edition of the biography of Adam

Smith, first read before the Royal Society of Edinburgh

in 1793, explains as a reason why he had in the first edi-

tion confined himself to a much more general view of the

"Wealth of Nations" than he had once intended, that:

The doctrine of a free trade was itself represented as of a revolu-

tionary tendency ; and some who had formerly prided themselves on

an intimacy with Mr. Smith, and on their zeal for the propagation

of his liberal system, began to call in question the expediency of

subjecting to the disputations of philosophers the arcana of state

policy and the unfathomable wisdom of the feudal ages.

\* "Wealth of Nations," Book V., Chapter H, Part II.

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And William Playf air, in his annotated edition of the

"Wealth of Nations n (London, 1805), deems it necessary

to apologize for Smith's sympathy with the Physiocrats by

declaring that " the real fact is that Dr. Smith, as well as

many of the Economists themselves, was ignorant of the

secret belonging to the sect "— that " simply pretending to

reduce to practice the Economical Table, they were silently

laboring to overturn the thrones of Europe." This igno-

rance, since it was shared at the same time by " a monarch

of such eminent abilities and penetration 7 ' as the great

Frederick of Prussia, Playf air thinks may be well par-

doned to Dr. Smith. And pardoned it was. Or rather

the objections made to Dr. Smith on the score of radicalism

attracted so little attention that it is only by delving in

forgotten literature that any trace of them can be found.

The larger fact is that Adam Smith, opening the study of

political economy at a lower level than the Physiocrats,

found less resistance, and his book began to secure so per-

manent a recognition for the new science that its continu-

ance to our time is properly traced to him as its founder

rather than to them.

In 1798, five years after Stewart read his biography of

Smith before the Royal Society of Edinburgh, and eight

years after the author of the " Wealth of Nations," lament-

ing with his last breath that he had done so little, was laid

to rest in the Edinburgh Cannongate, the English clergy-

man Malthus brought forward his famous theory of popu-

lation. This at once, like " a long-felt want," took its place

in the crystallizing system of political economy which

Smith had brought into shape, and which, if it was lacking

in a clear and consistent definition of wealth, was not on

that account objectionable to the spirit of the learned in-

stitutions which soon began to make its teaching a func-

tion of their official faculties. A few years after Malthus

came Bicardo, to correct mistakes into which Smith had

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fallen as to the nature and cause of rent, and to formulate

the true law of rent ; but to do this by laying stress on the

fact that rent would increase as the necessities of increas-

ing population forced cultivation to less and less produc-

tive land, or to less and less productive points on the same

land.

Thus, the theory of wages into which Adam Smith fell

when, as though fearful of the radical conclusions to which

it must lead, he suddenly abandons his true perception

that " the produce of labor constitutes the natural recom-

pense or wages of labor/' to consider the master as provid-

ing from his capital the wages of his workmen, together

with the theory of the tendency of population to increase

faster than subsistence, and the apprehension of the

theory of rent as resulting from the forcing of exertion to

less and less productive land, with what was deemed its

corollary, " the law of diminishing productiveness in agri-

culture," became cardinal doctrine. These linking with

and buttressing each other, in what soon became the ac-

cepted system of political economy as developed from the

" Wealth of Nations," did away effectually with any fear

that the study of natural laws of the production and dis-

tribution of wealth might be dangerous to the great House

of Have. For in this way political economy was made to

serve the purpose of an assumed scientific demonstration

that the shocking contrasts in the material conditions of

men which our advancing civilization presents, result not

from the injustice and mistakes of human law, but from

the immutable law of Nature— the decrees of the All-origi-

nating, All-maintaining Spirit.

So far from showing any menace to the great special

interests, a political economy, so perverted, soon took its

place with a similarly perverted Christianity to soothe the

conscience of the rich and to frown down discontent on

the part of the poor. In text-books and teachings from

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which Adam Smith's recurring perceptions of the natural

equality of men were eliminated, it became indeed "the

dismal science." It was held by its admirers that it needed

only to be sufficiently taught them to convince even the

"lower orders," that things as they are are things as they

ought to be, except perhaps that " the monopolizing spirit

of merchants and manufacturers/' and " the sneaking arts

of underling tradesmen" should no longer be permitted

to be erected into maxims for governmental interferences

with trade.

Thus as the system of political economy presented by

Adam Smith began to attract the attention of the thought-

ful and cultured, it did not meet the resistance it would

have encountered had the special interests which it threat-

ened been really those of the growing class of merchants

and manufacturers. On the other hand, the apparent

turning of its aggressive side against merchants and manu-

facturers prevented the powerful landed interest from

perceiving fully its relation to their own monopoly until

it had gained the weight of recognized philosophic au-

thority.

Now the "course of social development in the civilized

world generally, but particularly in Great Britain, in the

era of steam which immediately followed Adam Smith,

was enormously to increase the relative social weight of

the mercantile and manufacturing classes. But when,

fifty years after the death of Adam Smith, what he called

the mercantile system came into political issue in the

agitation for the repeal of the corn-laws, it was not among

merchants and manufacturers, but in the power of the

landed interest, that the strong defense of this system

was seen to lie. The repeal of the corn-laws was carried

against the strenuous resistance of the landowners by a

combination of merchants and manufacturers with the

working-classes, urged by bitter discontent and growing

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aspirations. Bat it was not carried until it became evident

to the more thoughtful that if the agitation went on it

would be sure to lead to an inquiry into the right by which

a few individuals called landowners, claimed the land of

the British Islands as their property.

The truth is that merchants and manufacturers, as

merchants and manufacturers, are not the ultimate bene-

ficiaries of the protective system, and that mercantile

interests can long profit by it only when sheltered behind

some special monopoly. This has been shown in the

United States, where the owners of coal and mineral and

timber and sugar land have constituted the backbone

of the political strength that has carried protection to such

monstrous length.

The repeal of the English corn-laws passed in Great

Britain for a victory of free trade as far as it was practicable

to carry free trade. And in scholastic circles in that coun-

try and in the United States, and throughout the civilized

world that took its intellectual impulse from England, it

greatly increased the hopefulness of the professed econo-

mists.

Thus strengthened by this powerful impulse, there con-

tinued to grow up under the sanction and development of

a series of able and authoritatively placed men, whose

efforts were devoted to smoothing away difficulties and

covering up incongruities, an accredited system of political

economy which found its most widely accepted expounder

in John Stuart Mill, and reached perhaps its highest point

of authority in scholastic circles about or shortly after the

centennial of the publication of the "Wealth of Nations."

Yet it was as wanting in coherence as the image that

Nebuchadnezzar saw in his dream. It contained much

real truth well worked out. But this was conjoined with

fallacies which could not stand examination. The attempt

to define its object-noun, wealth, and the sub-term of

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wealth, capita^ made them much more indefinite and

confused than they had been left by Adam Smith. And

it was never attempted to bring together what were given

as the laws of the distribution of wealth, as that would

have shown at a glance their want of relation.

This political economy had no real hold on common

thought, and was regarded even by ordinarily intelligent

men as a scholastic or esoteric science. But it was spoken

of by its professors with the utmost confidence as an

assured science, and their belief in its success was greatly

increased.

From the beginning until well past the middle of the

nineteenth century the temper of the recognized expound-

ers of the political economy which took shape from Adam

Smith's foundation was hopeful and confident. They

believed they had hold of a true science, which needed

only development to be universally recognized.

In what was printed as the introduction to the first

American edition of Jean Baptiste Say's treatise on polit-

ical economy\*-— which being translated into English and

widely circulated on both sides of the Atlantic became for

a long time, in the United States at least, perhaps the most

popular of the expositions of the science that Adam Smith

had founded—Say points out certain difficulties that polit-

ical economy must have to encounter: "that opinions in

political economy are not only maintained by vanity, but

by the self-interest enlisted in the maintenance of a vicious

order of things ; n that " writers are found who possess the

lamentable faculty of composing articles for journals,

pamphlets and even whole volumes upon subjects which,

according to their own confession, they do not under-

stand ; \* and that " such is the indifference of the public

\* The original work was published in 1803. But this introduction

bears internal evidence of having been written not earlier than 1814.

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that they rather prefer trusting to assertions than be at the

trouble of investigating them."

But he continues :

Everything, however, announces that this beautiful, and above

all, useful science, is spreading itself with increasing rapidity. Since

it has been perceived that it does not rest upon hypothesis, but is

founded upon observation and experience, its importance has been

felt. It is now taught wherever knowledge is cherished. In the

universities of Germany, of Scotland, of Spain, of Italy, and of the

north of Europe, professorships of political economy are already es-

tablished. Hereafter this science will be taught in them, with all the

advantages of a regular and systematic study. Whilst the Univer-

sity of Oxford proceeds in her old and beaten track, within a few

years that of Cambridge has established a chair for the purpose of

imparting instruction in this new science. Courses of lectures are

delivered in Geneva and various other places ; and the merchants of

Barcelona have, at their own expense, founded a professorship on

political economy. It is now considered as forming an essential part

of the education of princes j and those who are called to that high

distinction ought to blush at being ignorant of its principles. The

Emperor of Russia has desired his brothers, the Grand Dukes Nicho-

las and Michael, to pursue a course of study on this subject under

the direction of M. Storch. Finally, the Government of France has

done itself lasting honor by establishing in this kingdom, under the

sanction of public authority, the first professorship of political

economy.

This hopefulness as to what was to be accomplished

by the regular and systematic study of political economy

pervaded for a long time all economic writings. Even

when it was necessary to admit that the unanimity that

had been confidently expected had not come, it was always

just about to come.

Thus Colonel Torrens, in the introduction to his " Essay

on the Production of Wealth," says in 1821 :

In the progress of the human mind, a period of controversy among

the cultivators of any branch of science must necessarily precede the

period of unanimity. With respect to political economy, the period

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of controversy is passing away, and that of unanimity rapidly ap-

proaching. Twenty years hence there will scarcely exist a doubt

respecting any of its fundamental principles.

With the great defeat of protection in 1846, the confi-

dence of political economists became even greater than

before. But the predictions that the example of Great

Britain in abolishing protective duties would be quickly

followed throughout the civilized world— predictions based

on the assumption that this partial victory for freedom

had been won by the advance of an intelligent political

economy, were not realized; and fostered by such tre-

mendous political events as the great fight between the

American States and the Franco-German war, a wave of

reaction in favor of protection seemed to sweep over pretty

nearly all the civilized world outside of Great Britain.

And while in the scholastic world, of the English-speak-

ing countries at least, the triumph of Adam Smith's oppo-

sition to the principles of the mercantile system seemed to

have established firmly an accepted science of political

economy, and chairs for its teaching formed an indispensa-

ble adjunct of every institution of education, the real inco-

herencies which had been slurred over began more and

more to show themselves.

In 1856 Professor J. E. Cairnes, delivering in Dublin

University on the Whately Foundation a series of lectures

afterwards reprinted under the title of "The Character

and Logical Method of Political Economy," quoted what he

called the unlucky prophecy of Torrens, made in 1821, that

the period of controversy had passed and that of unanimity

was rapidly approaching, and that in twenty years from

then there would scarcely exist a doubt respecting any of

the fundamental principles of political economy. Professor

Cairnes did this only to give point to a statement that fun-

damental questions "are still vehemently debated, not

merely by sciolists and smatterers, who may always be

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expected to wrangle, but by the professed cultivators and

recognized expounders of the science/' and that :

So far from the period of controversy having passed, it seems

hardly yet to have begun— controversy, I mean, not merely respect-

ing propositions of secondary importance, or the practical application

of scientific doctrines (for such controversy is only an evidence of the

vitality of a science, and is a necessary condition of its progress), but

controversy respecting fundamental principles which lie at the root

of its reasonings, and which were regarded as settled when Colonel

Torrens wrote.

Gairnes continues with a passage, which as showing a

perception by a leading professor of political economy

of the effect of the establishment of professorships, from

which Say a generation before had hoped so much and

from which up to this very time so much continued as it

still continues to be hoped by those who know no better,

is worth my quoting :

When Political Economy had nothing to recommend it to public

notice but its own proper and intrinsic evidence, no man professed

himself a political economist who had not conscientiously studied

and mastered its elementary principles ; and no one who acknowledged

himself a political economist discussed an economic problem without

constant reference to the recognized axioms of the science. But

when the immense success of free trade gave experimental proof of

the justice of those principles on which economists relied, an obser-

vable change took place both in the mode of conducting economic

discussions and in the class of persons who attached themselves to

the cause of political economy. Many now enrolled themselves as

political economists who had never taken the trouble to study the

elementary principles of the science ; and some, perhaps, [whose

capacities did not enable them to appreciate its evidence ; while even

those who had mastered its doctrines, in their anxiety to propitiate

a popular audience, were too often led to abandon the true grounds

of the science, in order to find for it in the facts and results of free

trade a more popular and striking vindication. It was as if mathe-

maticians, in order to attract new adherents to their ranks, had con-

sented to abandon the method of analysis, and to rest the truth of

their formulas on the correspondence of the almanacs with astro-

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nomieal events. The severe and logical style which characterized the

cultivators of the science in the early part of the century has thus

been changed to suit the different character of the audience to whom

economists now addressed themselves. The discussions of Political

Economy have been constantly assuming more of a statistical char-

acter ; results are now appealed to instead of principles ; the rules of

arithmetic are superseding the canons of inductive reasoning ; till the

true course of investigation has been well-nigh forgotten, and Politi-

cal Economy seems in danger of realizing the fate of Atalanta.

At the present time it is clearly to be seen that the worst

fears of Cairnes have been more than realized. The period

of controversy instead of having passed, had indeed, it has

since been proved, hardly then begun. The accelerating

tendency since his time as in the period of which he then

spoke, has been away from, not towards, nnif ormity ; con-

troversy has become incoherence, and what he then thought

to be the science of political economy has been destroyed

at the hands of its own professors.

But while Cairnes realized the true drift of a tendency

that most of his contemporaries did not understand, andsaw

the real effect of a study of political economy for the pur-

pose of filling professorships and writing books, he did not

see the real cause which so much faster and farther than he

could have imagined has given sober reality to his more

than half-rhetorical prediction. The reason of the con-

stantly increasing confusion of the scholastic political econ-

omy has lain in the failure of the so-called science to define

its subject-matter or object-noun. Statistics cannot aid us

in the search for a thing until we know what it is we want to

find. It is the Tower of Babel over again. Men who at-

tempt to develop a science of the production and distribu-

tion of wealth without first deciding what they mean by

wealth cannot understand each other or even understand

themselves.

CHAPTER VII.

INEFFECTUAL GROPINGS TOWARD A DETER-

MINATION OF WEALTH.

SHOWING THE OPPOSITION TO THE SCHOLASTIC ECONOMY

BEFORE "PROGRESS AND POVERTY."

Illogical character of the "Wealth of Nations "—Statements of nat-

ural right— Spence, Ogilvie, Chalmers, Wakefield, Spencer, Dove,

Bisset— Vague recognitions of natural right— Protection gave rise

to no political economy in England, but did elsewhere— Germany

and protectionist political economy in the United States— Diver-

gence of the schools— Trade-unionism in socialism.

THE " Wealth of Nations ,; won great vogue by its strik-

ing qualities and its prudence in avoiding antagonism

with landowners. It made a nucleus around which the

scholastic classes could rally, assuming that they were

teaching a science of political economy, without seriously

hurting any powerful interest. What Smith had done

was after all an evasion— a settlement which left the

cardinal principles unsettled. He had shown how greatly

the division of labor increases the productiveness of labor,

and without daring to go too far had shown that to leave

labor unrestricted would increase the annual product. He

had in short turned the aggressive side of the science

against the protective, or, as he styled it, the mercantile

system, thus putting on its feet a political economy which

taught a sort of free trade that did not seriously object to

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taxes on labor and the products of labor for raising the

revenues of government.

What wealth, or its sub-term, capital, was, Smith did

not really say, nor yet did he make clear the division of

their joint produce between the human factor and the

natural factor, nor venture to show what was the cause

and warrant of poverty. In political economy as he left

it there were no axioms— nothing that would correlate and

hold together. But such was his genius and prudence, and

his adaptability to the temper of his time, that he got a

hearing where more daring thinkers failed, and a science

of political economy began to grow on his foundations.

Malthus by giving a scientific semblance to a delusion

which tallied with popular impressions, and Bicardo by

giving form to a scientific interpretation of rent, soon

provided what passed for axioms, one of which was wrong,

and the other of which was wrongly or at least inade-

quately stated. While between them, all was left at sea.

Yet such was the feeling that there ought to be a polit-

ical economy, and so agreeable to the ruling class was

what was offered as such, that chairs for the study of it

began to multiply. They were of course filled by men

who taught what they had learned, with the constant pres-

sure on them of the class dominant in all colleges— a class

which, whatever be the faults of a political economy, are

disposed to accept things as they are as the best order of

things possible, and to view with intense opposition any

radical change that would provoke real discussion. And

as nearly every professor of political economy thought it

incumbent on him to write a text-book, or at least to do

something to show a reason for his existence, there was

much going over old ground and picking out of small

differences, but no questioning of anything that could

arouse vital debate. And given a state of society in which

the many were poor and the few were rich, any attempt to

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point out a true political economy, if it got attention,

would inevitably arouse much debate.

Thus in fact political economy, as it found teachers and

professors and the standing of a science, was to the class

who had appropriated land as belonging to them exclu-

sively a very comfortable doctrine. It applied the doctrine

of "letting things alone," without any suggestion of the

question of how things came to be. It was, as it was

styled by Clement C. Biddle, the American translator of

Say, "the liberal doctrine that the most active, general

and profitable employments are given to the industry and

commerce of every people by allowing to their direction

and application the most perfect freedom compatible with

the security of property. 91 As to what constitutes property

there was no dispute. And if one did not look too closely,

and beyond the usages of the times, in the more advanced

European nations there could be no dispute. Property 1

Why property was of course what was susceptible of

ownership. Any fool would know that !

Nor after the surrender of the Peel ministry, in time to

prevent it, was any question of the sanction of property

raised. English slavery had disappeared in its last forms

before the nineteenth century began, and though the

question of the ownership of slaves in the tropical colonies,

and finally in the Southern United States, was likely if

continuously debated to bring up the larger question, this

did not appeal to the feelings of the people. So it was

settled for the time, as to the colonies by the device of

buying off the slave-owners at public expense ; and in the

United States by the arbitrament of war.

The question of the validity of property was never really

raised in England until after the publication of " Progress

and Poverty" began to call it up. But the attention

which that has aroused has since brought to light some

definite utterances, which show, as I take it, that the

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doctrines of the French Physiocrats would have found

hospitable reception in Great Britain had it been possible

at the time to have really made them known.

Thus H. M. Hyndman has dug up from the British

Museum a lecture by Thomas Spence, delivered before

the Philosophical Society of Newcastle, on November 8,

1775, a year prior to the publication of the " Wealth of

Nations," and for which the Society, as Spence puts it, did

him "the honor" to expel him. In this lecture Spence

declares that all men "have as equal and just a property

in land as they have in liberty, air, or the light and heat

of the sun," and he proposes what now would be again

called "the single tax"— that the value of land should be

taken for all public expenses, and all other taxes of what-

ever kind and nature should be abolished. He draws a

glowing picture of what humanity would be if this simple

but most radical reform were adopted. But so much

against the wishes of all that had authority was he, that

his proposal was utterly forgotten until dug out of its

burial-place more than a century after.

So, in 1889, D. G. Macdonald, a single-tax man, and a

solicitor of Aberdeen, dug out of the Advocates' Library

of Edinburgh, and the British Museum, in London, copies

of a book printed in 1782 by William Ogilvie, Professor

of Humanities in King's College, Aberdeen, entitled " An

Essay on the Bight of Property in Land, with Respect to

its Foundation in the Law of Nature, its Present Estab-

lishment by the Municipal Laws of Europe, and the Regu-

lations by which it might be Rendered More Beneficial to

the Lower Ranks of Mankind." Professor Ogilvie, though

he makes no reference to any other authority than that of

Moses, had evidently some knowledge of the Physiocrats,

and most unquestionably declares that land is a birthright

which every citizen still retains. He advocates the taxation

of land, -with the entire abolition of all other taxes, though,

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as if despairing of so radical a reform, he proposes some

palliatives such as allotments to actual settlers, leases, etc.

He doubtless saw the utter hopelessness of making the

fight under existing conditions, for it seems probable that

his book was never published, only a few copies being

printed for private circulation by the author.

Among the scholastically accepted writers in the first

thirty years of the century are two who seem to have some

glimmerings of the truth perceived by the Physiocrats, of

the relations between land and labor, though in a curi-

ously distorted way. Dr. Chalmers, who was a divinity

professor in the University of Edinburgh, and a strong

Malthusian, contended that the owners of land ultimately

paid all taxes levied on labor, and contended that titles

(which he regarded as so much retained by the state for

beneficial purposes) should be maintained. All others he

would have ultimately abolished, and the revenues of the

state ultimately raised from the value of land. This, he

thought, would be simpler and better, and avoid much

dispute, " relieving government from the odium of taxes

which so endanger the cause of order and authority/' He

was a stanch supporter of primogeniture, opposed to any-

thing which aimed at the division of the land, and would

have the country enjoy the spectacle of a noble and splen-

did aristocracy, of which the younger branches should be

supported by places of at least £1000 a year in the public

services. And, while he would have the landlords pay all

taxes, he thought it "wholesome and befitting that they

should have the political ascendancy also." For "the

lords of the soil, we repeat, are naturally and properly the

lords of the ascendant. ,, Chalmers was a good example of

the toadying spirit of so many of the Scottish ministers.

He afterward joined in the disruption of the Kirk by the

Free Kirk movement. Yet, in spite of his obsequience,

he did not succeed in popularizing the single tax with the

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British aristocracy, who fought the repeal of the corn-laws

as long as they could. He passed as an economist almost

into oblivion.

Another curious example of the perversion of the doc-

trine of the relation between land and labor was given by

Edward Gibbon Wakefield, who visited this country in its

more democratic days in the first quarter of the century,

ere the natural result of our thoughtless acceptance of

land and true property as alike wealth, and our desire to

get in the first place an owner for land had begun to show

so fully its effects. He was impressed with the difference

between the society growing up here and that to which he

had been used, and viewing everything from the stand-

point of those accustomed to look on the rest of mankind

as created for their benefit, he deemed the great social and

economic disadvantage of the United States to be "the

scarcity of labor/' To this he traces the rudeness of the

upper class— its want of those refinements, enjoyments

and delicacies of life, common to the aristocracy of Eng-

land. How could an English gentleman emigrate to a

country where he might actually have to black his own

boots, and where no one could count on a constant supply

of labor ready to accept as a boon any opportunity to per-

form the most menial and degrading service 1 He saw, as

Adam Smith before him saw, that this " scarcity of labor"

came from the cheapness of land where the vast area of

the public domain was open for settlement at nominal prices.

Without the slightest question that the land was made for

landlords, and that laborers were intended to furnish a

supply of labor for the upper classes, he wished the new

countries which England had yet to settle to ber socially,

politically and economically newer Englands ; anfl, without

waiting for the slower process of speculation, he wished to

bring about in these new countries such salutary " scarcity

of employment" as would give cheap and abundant labor

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from the very start of settlement. He, therefore, proposed

that land should not be given, but sold at the outset, at

what he called a sufficient price-— a price high enough to

make laborers work for others until they had acquired the

fund necessary to pay a price for what nature offered with-

out money and without price. The money received by the

state in this way he proposed to devote in paying the

passage of suitable and selected immigrants. This would

give from the start two classes of immigrants to settle the

great waste places which England still retained, especially

in Australia and New Zealand— the better class, who would

pay their own expenses, and buy from the government

their own land, which would at first have a value ; and the

assisted class, who, being selected from the best workers

in the old country, would at once be able to supply all the

required labor. Thus the new country where this plan was

adopted would from the first, while wages were still enough

higher than in England to make working-men, especially

if assisted, desire to go there, offer the inducement to a

wealthy and cultivated class of a " reasonable " and ready

supply of labor, and save them from such hardships from

the lack of it as made the United States so unattractive to

the "better class" of Englishmen.

This plan was very attractive to the more wealthy and

influential class of Englishmen concerned in, or thinking

of, emigrating to the newer colonies, and was finally adopted

by the corporation concerned in settling West Australia,

and afterwards the other Australian colonies. But even

its obvious inferences never affected the teaching of

political economy.

In 1850 two works appeared in England, which, though

neither of them was from the ranks of the scholastic econ-

omists, were both premonitions of a coming demand for a

political economy which would take some consideration of

the interest of the masses. One of these was by Herbert

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Spencer, then young and unknown, and was entitled

" Social Statics, or The Conditions Essential to Human

Happiness Specified, and the First of Them Developed."

Chapter IX. of this book, " The Bight to the Use of the

Earth/' is a telling denial of what the economists of Smith's

school had quietly assumed could not be questioned, the

validity of property in land. It got no attention in Eng-

land, having been noticed in the " British Quarterly Re-

view \* only in 1876, when his sociological works began first

to be heard of. It was however reprinted in the United

States in 1864, with a note by the author, and when, about

1877, Appleton & Co., of New York, became the American

publishers of his philosophical writings, they reprinted

this with his other works, and on the strength of them it

began to get into circulation.

This was the only work of the kind I knew of when

writing "Progress and Poverty;" and in "A Perplexed

Philosopher" (1892), I have given a full account of it, and

of Mr. Spencer's shifting repudiation and final recantation

of what he had said in denial of property in land. '

In the same year (1850) appeared in London "The

Theory of Human Progression and Natural Probability of

a Reign of Justice." It was published anonymously and

dedicated to Victor Cousin of Prance. The argument of

"The Theory of Human Progression" is that there is a

probability of the reign of justice on earth, or millennium,

foretold by Scriptural prophecy. One of his primary

postulates is the inspiration of the Bible and the divinity

of the founder of the Christian religion, which in his view

is Scottish Presbyterianism, and which he treats as the true

religion, all others being false. But, though adhering to

the doctrine of the fall of man, who is by nature vile and

wicked, he is an evolutionist in believing in the natural

necessary advance of mankind by the progress of know-

ledge, or to use his phrase, by the progress of correct ere-

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dence in the natural order and necessary sequence of the

sciences, to a reign of justice, in which is to grow a reign

of benevolence.

The elements of correct credence as he enunciates them

(p. 94) are :

1. The Bible.

2. A correct view of the phenomena of material nature.

3. A correct philosophy of the mental operations.

The three things which he links together as respectively

cause and effect, involving the conditions of society, are

(p. 120):

Knowledge and freedom.

Superstition and despotism.

Infidelity and anarchy.

And the four propositions which best give an idea of

the scope of his work and the course of his thought are

(p. 160):

1. On the sure word of divine prophecy we anticipate a reign of

justice on the earth.

2. That a reign of justice necessarily implies that every man in

the world shall at some future time be put in possession of all his

rights.

3. That the history of civilized communities shows us that the

progression of mankind in a political aspect is from a diversity of

privileges toward an equality of rights.

4. That one man can have a privilege only by depriving another

man or many other men of a portion of their rights. Consequently

that a reign of justice will consist in the destruction of every privi-

lege, and in the restitution of every right.

These propositions are extended to twenty-one main

propositions and twelve sub-propositions, but they are all

involved in the first four. The tenth sub-division of the

twentieth proposition and the twenty-first proposition as a

whole are, however, well worth quoting as giving an idea

of the character of the man and his thought :

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. . . Knowledge does necessarily produce change, as much as heat

necessarily produces change ; and where knowledge becomes more

and more accurate, more and more extensive, and more and more

generally diffused, change must necessarily take place in the same

ratio and entail with it a new order of society, and an amended con-

dition of man upon the globe. Wherever, then, the unjust interests

of the ruling classes are required to give way before the progress of

knowledge and those ruling classes peremptorily refuse to allow the

condition of society to be amended, the sword is the instrument

which knowledge and reason may be compelled to use ; for it is not

possible, it is not within the limits of man's choice, that the progress

of society can be permanently arrested when the intellect of the

masses has advanced in knowledge beyond those propositions, of

which the present condition is only the realization.

21. We posit, finally, that the acquisition, scientific ordination,

and general diffusion of knowledge will necessarily obliterate error

and superstition, and continually amend the condition of man upon

the globe, until his ultimate condition shall be the best the circum-

stances of the earth permit of. On this ground we take up (what

might in other and abler hands be an argument of no small interest,

namely) the natural probability of a millennium, based on the clas-

sification of the sciences, on the past progress of mankind, and on

the computed evolution of man's future progress. The outline alone

of this argument we shall indicate, and we have no hesitation in

believing that every one who sees it in its true light will at once see

how the combination of knowledge and reason must regenerate the

earth and evolve a period of universal prosperity which the Divine

Creator has graciously promised, and whose natural probability we

maintain to be within the calculation of the human reason.

The book which, so far as my knowledge goes, "The

Theory of Human Progression " most nearly resembles

in motive, scope and conclusions is Herbert Spencer's

11 Social Statics/ 7 published in the same year, though evi-

dently without knowledge of each other. Both seem to

have little knowledge of and make slight reference to

writers on political economy— Spencer referring in one

place to Smith, Mill and Chalmers, while Dove quotes no

authority later than Moses. Both go largely over the same

ground, and both reach substantially the same practical

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conclusion; both assert the same grand doctrine of the

natural rights of men, which is the essence of Jeffersonian

democracy and the touchstone of true reform j both de-

clare the supremacy of a higher law than human enact-

ments, and both believe in an evolutionary process which

shall raise men to higher and nobler conditions. Both

express clearly and well the fundamental postulates of the

single tax, and both are of course absolute free traders.

Spencer devotes more space to the land question, and more

elaborately proves the incompatibility of private ownership

of land with the moral law, and declares the justice and

necessity of appropriating rent for public revenues with-

out saying anything of the mode ; while Dove dwells at

more length on the wickedness and stupidity of tariffs,

excises and the other modes of raising revenues from taxes

on the products of labor, and clearly indicates taxation as

the method of appropriating rent for public purposes.

But while the English agnostic might have regarded the

Scottish Calvinist as yet in the bonds of an utterly un-

scientific superstition, there is one respect in which tho

vigor and courage of Dove's thought shines superior to

Spencer's. Spencer, after demonstrating the absolute in-

validity of any possible claim to the private ownership of

land, goes on to say that great difficulties must attend the

resumption by mankind at large of their rights to the soil j

that had we to deal with the parties who originally robbed

the human race of their heritage, we might make short

work of the matter j but that unfortunately most of our

present landowners are men who have either mediately or

immediately given for their estates equivalents of honestly

earned wealth, and that to "justly estimate and liquidate

the claims of such is one of the most intricate problems

society will one day have to solve."

But the orthodox Presbyterian utterly refuses thus to

bend the knee to Baal in the slightest concession. While

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he is not more clear than Spencer in demonstrating that

landowners as landowners have no rights whatever, there

is not one word in his book that recognizes in any way

their claims. On the contrary, he declares that slavery is

man-robbery, and that the £20,000,000 compensation given

by the British Parliament to the West India planters on

the emancipation of their slaves was an act of injustice

and oppression to the British masses, and (p. 139) adds :

No man in the world and no association in the world could ever

have an equitable right to tax a laborer for the purpose of remunerat-

ing a man-robber ; and, although the measure is now past and done

with, we very much question whether some analogous oases will

not be cleared up by the mass of the nation ere many years pass

over the heads of Englishmen. When the question of landed

property comes to a definite discussion there may be little thought

of compensation.

Yet neither in England nor in the United States, where

an edition seems to have been published in Boston at the

expense of Senator Sumner, did Dove get any attention,

and I never heard of it until after the publication of

" Progress and Poverty," when, in Ireland in 1882, 1 was

presented with a copy by Charles Eason, head of the

Dublin branch of the great news-publishing house of

Smith & Sons.

In 1854 appeared another book by Patrick Edward

Dove, in which the authorship of " The Theory of Human

Progression " was announced— " The Elements of Political

Science, in two books: first, on Method, second, on

Doctrine." And in 1856 appeared a third book, "The

Logic of the Christian Faith," being a dissertation on

skepticism, pantheism, the a priori argument, the a pos-

teriori argument, the intuitional argument and revelation,

also under title of the author, and with a dedication to

Charles Sumner, Senator of the United States, who, with-

out his knowledge, had procured a republication of Dove's

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first book in Boston, being moved thereto doubtless by its

vigorous words on slavery.

In 1859 appeared in London " The Strength of Nations,"

by Andrew Bisset, who has since (1877) published " The

History of the Struggle for Parliamentary Government

in England/' a review of the systematic attempt of the

families of Plantagenet, Tudor and Stuart to enslave the

English people, which is mainly occupied with the attempt

of Charles I., the resistance to it, and his final execution.

" The Strength of Nations n very suggestively calls atten-

tion to the fact that feudal tenures were conditioned on

the payment of rent or special services to the state, and

thus the much-lauded abolition of what was left of the

feudal incidents by the Long Parliament was a relief of

the landholders of the payment of what measured at

present prices would suffice for the whole expenditure of

England, and the saddling of it on general taxation ; and

that from this dates the beginning of the English national

debt.

These books have produced very little effect upon polit-

ical economy, and some of them have passed out of print

without any perceptible effect at all. It is likely that there

were others in addition to what I have mentioned, and it

is certain that there were others that occasionally found

their way into print which irregularly and spasmodically

expressed some touch of the idea formulated in lines of

the Wat Tyler rising :

When Adam delved and Eve span,

Who was then a gentleman?

Some notion of the incongruity of the idea that a small

fraction of mankind were intended to eat, and eat luxuri-

ously without working, and another and far larger portion

to have nothing but work to enable them to eat, and be

compelled to beg as a boon the opportunity to do that,

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runs in broken flashes through much of the reform litera-

ture. But in political economy as it up to 1880 existed

all such questioning was tabooed, and the utmost that

could be found in any of the writers recognized by the

schools was a timid suggestion that the future unearned

increment of land values might sometime be recognized

as belonging to the community, a proposition that, though

it amounted to nothing whatever, as landlords were ready

to sell land for what would give them any unearned

increment not yet in sight, caused John Stuart Mill who

had been giving some adhesion to it to be looked on

askance by some, as an awful radical.

The struggle for the repeal of the corn-laws in England

did not lead to any development of a protectionist political

economy. Books and pamphlets enough were written in

favor of protection, but they were merely appeals to old

habits of thought and vulgar prejudices, and the forces in

favor of repeal carried them down. Elsewhere, however,

it was different. On the Continent the conditions under

which the tentative victory of free trade was won in Eng-

land were lacking. Cut up into hostile nations, burdened

with demands for revenue, the mercantile system got a

practical hold that could not be broken by the half-hearted

measures of its English opponents, and the gleam of hope

which came with the English-French treaty negotiated be-

tween Cobden and Napoleon III. was destroyed by the

tremendous struggles which followed the fall of the latter.

In Germany the outburst of national feeling which fol-

lowed the struggles with France and the unification of

German states gave rise to a school of German economists

who taught a national economy, in which under various

names, such as romantic, inductive and national, protec-

tionism was advocated.

When it came to making peace between England and

the United States after the War of Independence, the

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American Commissioners were instructed to stipulate for

a complete free trade between the two countries. They

failed in this, owing to the prevalence of the protective

sentiment in Great Britain at the time. When the Arti-

cles of Confederation gave way to the Constitution, the

need for an independent source of revenue took the easy

means of laying a Federal tariff upon foreign productions,

though free trade between the States was guaranteed ; and

the growth of selfish interests caused by and promotive of

a constantly increasing demand for greater revenue built

up a strong party in favor of protection, which had its

way when the slavery question taking sectional shape put

the States in which protectionism was dominant in control

of the government with the secession of the South. This

interest sought warrant in a scheme of political economy,

and found it in drawing from the German economists and

in the writings of Henry C. Carey of Philadelphia, whose

theory in many respects differed from the English philos-

ophy, noticeably in its advocacy of protection. In America

this protectionist semblance of a political economy had its

chief seat in the University of Pennsylvania, and the sup-

port of a powerful party in which the ideas of Jefferson

were opposed by those of Hamilton 5 while in Great Britain

the works of Carlyle and the course of modern study and

development had in scholastic circles popularized the

German.

Among the schools, moreover, there was a divergence

which began to assume greater proportions as the success

of the anti-corn-laws struggle began to be shown in the

accomplishment of all that any of its advocates dared to

propose. This took shape in a contention as to value, which

inclined to emphasize the fact that the admission that some

immaterial things were conceded to be wealth destroyed

the ability to keep any immaterial things having value out

of that category, and consequently that wealth in the

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common sense was the only thing to be considered in

political economy, which was really a science of exchanges.

With the efforts of Jevons, Macleod and others this began

to make way, and naturally affiliated with the historical,

the inductive, the socialistic and other protectionist schools

which grew from the Continental teachings. Instead of

working for greater directness and simplicity, it really

made of political economy an occult science, in which

nothing was fixed, and the professors of which, claiming

superior knowledge, could support whatever they chose to.

During the century another form of protectionism had

been growing up, originating in England, but gaining

adherents everywhere. Like the others, it recognized no

difference between land and products of labor, counting

them all as wealth, and aimed by main strength at im-

provement in the conditions of labor. Recognizing the

workers as a class naturally separate from employers, it

aimed to unite the laborers in combinations, and to invoke

in their behalf the power of the state to impose restrictions,

shorten hours, and in various ways to serve their interests

at the expense of the primarily employing class. The

German mind, learned, bureaucratic and incomprehensible,

put this in the form of what passed for a system in Earl

Marx's ponderous two volumes entitled " Capital," written

in England in 1867, but published in German and not

translated into English until after his death in 1887.

Without distinguishing between products of nature and

the products of man, Marx holds that there are two kinds of

value— use value and exchange value— and that through

some alchemy of buying and selling the capitalist who

hires men to turn material into products gets a larger

value than he gives. Upon this economic proposition of

Marx (it can hardly be called a theory), or others similar

to it, political schemes with slight variations have been

promulgated after the manner of political platforms.

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Under the name of socialism, a name which all such

movements have now succeeded in appropriating, all such

plans are embraced. We sometimes hear of "scientific

socialism/ 7 as something to be established, as it were, by

proclamation, or by act of government. In this there is a

tendency to confuse the idea of science with that of some-

thing purely conventional or political, a scheme or pro-

posal, not a science. For science, as previously explained,

is concerned with natural laws, not with the proposal of

man— with relations which always have existed and always

must exist. Socialism takes no account of natural laws,

neither seeking them nor striving to be governed by them.

It is an art or conventional scheme like any other scheme

in politics or government, while political economy is an

exposition of certain invariable laws of human nature.

The proposal which socialism makes is that the collectivity

or state shall assume the management of all means of

production, including land, capital and man himself ; do

away with all competition, and convert mankind into two

classes, the directors, taking their orders from government

and acting by governmental authority, and the workers,

for whom everything shall be provided, including the di-

rectors themselves. It is a proposal to bring back man-

kind to the socialism of Peru, but without reliance on

divine will or power. Modern socialism is in fact without

religion, and its tendency is atheistic. It is more destitute

of any central and guiding principle than any philosophy

I know of. Mankind is here ; how, it does not state ; and

must proceed to make a world for itself, as disorderly as

that which Alice in Wonderland confronted. It has no

system of individual rights whereby it can define the ex-

tent to which the individual is entitled to liberty or to

which the state may go in restraining it. And so long as

no individual has any principle of guidance it is impossible

that society itself should have any. How such a combina-

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Hon could be called a science, and how it should get a fol-

lowing, can be accounted for only by the " fatal facility of

writing without thinking/' which the learned German

ability of studying details without any leading principle

permits to pass, and by the number of places which such

a bureaucratic organization would provide. However,

through government repression and its falling in with

trade-union notions it has made great headway in Ger-

many, and has taken considerable hold in England.

This was the condition of things at the beginning of the

eighth decade of the century, when the English political

economy, the only economy making any pretensions to a

science, received from a newer and freer England what has

proved a fatal blow.

CHAPTER VIII.

BREAKDOWN OP SCHOLASTIC POLITICAL

ECONOMY.

SHOWING THE REASON, THE RECEPTION, AND EFFECT ON PO-

LITICAL ECONOMY OF "PROGRESS AND POVERTY."

"Progress and Poverty"— Preference of professors to abandon the

"science" rather than radically change it, brings the breakdown

of scholastic economy — The " Encyclopaedia Britannica "—The

"Austrian school" that has succeeded the "classical."

IN January, 1880, preceded in 1879 by an author's

edition in San Francisco, appeared my " Progress and

Poverty/' and it was followed later in the same year by an

English edition and a German edition, and in 1882 by

cheap paper editions both in England and the United

States. The history of the book is briefly this : I reached

California by sea in the early part of 1858, and finally

became an editorial writer. In 1869 I went East on

newspaper business, returning to California in the early

summer of 1870. John Russell Young was at that time

managing editor of the New York Tribttne, and I wrote

for him an article on " The Chinese on the Pacific Coast,"

a question that had begun to arouse attention there, taking

the side popular among the working-classes of the Coast,

in opposition to the unrestricted immigration of that

people. Wishing to know what political economy had to

say about the causes of wages, I went to the Philadelphia

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Library, looked over John Stuart Mill's " Political Econ-

omy," and accepting his view without question, based my

article upon it. This article attracted attention, especially

in California, and a copy I sent from there to John Stuart

Mill brought a letter of commendation.

While in the East, the contrast of luxury and want that

I saw in New York appalled me, and I left for the West

feeling that there must be a cause for this, and that if

possible I would find out what it was. Turning over the

matter in my mind amid pretty constant occupation, I at

length found the cause in the treatment of land as prop-

erty, and in a pamphlet which I took an interval of leisure

to write, "Our Land and Land Policy" (San Francisco,

1871), I stated it. Something like a thousand copies of

this were sold ; but I saw that to command attention the

work must be done more thoroughly, and refraining from

any effort to press it at the East until I knew more, I

engaged with others in starting (December, 1871) a small

San Francisco daily paper, which occupied my attention,

though I never forgot my main purpose, until December,

1875, when, becoming entangled with an obligation to a

rich man (XL S. Senator John P. Jones), whose note we

had at his own request taken, I went out penniless. I

then asked the Governor (Irwin), whom I had supported,

for a place that would give me leisure to devote myself to

thoughtful work. He gave me what was much of a sine-

cure, and which has now been abolished— the position of

State Inspector of Gas-meters. This, while giving, though

irregularly, enough to live on, afforded ample leisure. I had

intended to devote this to my long-cherished plan ; and

after some time spent in writing and speaking, with inter-

vals of reading and study, I brought out " Progress and

Poverty n in an author's edition, in August, 1879.

In this book I took the same question that had perplexed

me. Stating the world-wide problem in an introductory

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chapter, I found that the explanation of it given by the

accepted political economy was that wages are drawn from

capital, and constantly tend to the lowest amount on which

labor will consent to live and reproduce, because the

increase in the number of laborers tends naturally to fol-

low and overtake any increase in capital. Examining this

doctrine in Book I., consisting of five chapters, entitled

" Wages and Capital," I showed that it was based upon

misconceptions, and that wages were not drawn from

existing capital, but produced by labor. In Book II.,

" Population and Subsistence," I devoted four chapters to

examining and disproving the Malthusian theory. Then

in Book III., "The Laws of Distribution," I showed

(in eight chapters) that what were given as laws did not

correlate, and proceeded to show what the laws of rent,

interest and wages really were. In Book IV. (four chapters),

I proved that the effect of material progress was to increase

the proportion of the product that would go to rent. In

Book V. (two chapters), I showed this to be the primary

cause of paroxysms of industrial depression, and of the

persistence of poverty amid advancing wealth. In Book

VI., "The Remedy" (two chapters), I showed the inade-

quacy of all remedies for industrial distress short of a

measure for giving the community the benefit of the increase

of rent. In Book VII. (five chapters), I examined the jus-

tice ; in Book VIII. (four chapters), the exact relation and

practical application of this remedy ; and in Book IX. (four

chapters), I discussed its effect on production, on distribu-

tion, on individuals and classes, and social organization

and life ; while in Book X. (five chapters), I worked out

briefly the great law of human progress, and showed the

relation to this law of what I proposed. The conclu-

sion (one chapter), "The Problem of Individual Life," is

devoted to the problem that arises in the heart of the

individual

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This work was the most thorough and exhaustive ex-

amination of political economy that had yet been made,

going over in the space of less than six hundred pages the

whole subject that I deemed it necessary to explain, and

completely recasting political economy. I could get no

one to print the work except my old partner in San

Francisco, William M. Hinton, who had gone into the

printing business, and who had sufficient faith in me to

moke the plates. I sold this author's edition in San Fran-

cisco at a good price, which almost paid for the plates, and

sent copies to publishers in New York and London, offer-

ing to furnish them with plates. With the heavy expense

met, Appleton & Co., of New York, undertook its printing,

and though I could get no English publisher at the time,

before the year of first publication was out they got Kegan

Paul, Trench & Co. to undertake its printing in London. In

the meantime, before publishing this book, I had delivered

a lecture in San Francisco which led to the formation

of the Land Reform Union of San Francisco, the first of

many similar movements since.

"Progress and Poverty" has been, in short, the most

successful economic work ever published. Its reasoning

has never been successfully assailed, and on three con-

tinents it has given birth to movements whose practical

success is only a question of time. Yet though the scho-

lastic political economy has been broken, it has not been,

as I at the time anticipated, by some one of its professors

taking up what I had pointed out ; but a new and utterly

incoherent political economy has taken its place in the

schools.

Among the adherents of the scholastic economy, who

had been claiming it as a science, there had been from the

time of Smith no attempt to determine what wealth was ;

no attempt to say what constituted property, and no at-

tempt to make the laws of production or distribution cor-

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relate and agree, until there thus burst on them from a

fresh man, without either the education or the sanction of

the schools, on the remotest verge of civilization, a recon-

struction of the science, that began to make its way and

command attention. What were their training and labo-

rious study worth if it could be thus ignored, and if one

who had never seen the inside of a college, except when

he had attempted to teach professors the fundamentals of

their science, whose education was of the mere common-

school branches, whose alma mater had been the forecastle

and the printing-office, should be admitted to prove the

inconsistency of what they had been teaching as a science 1

It was not to be thought of. And so while a few of these

professional economists, driven to say something about

"Progress and Poverty," resorted to misrepresentation,

the majority preferred to rely upon their official positions

in which they were secure by the interests of the dominant

class, and to treat as beneath contempt a book circulating

by thousands in the three great English-speaking countries

and translated into all the important modern languages.

Thus the professors of political economy seemingly re-

jected the simple teachings of "Progress and Poverty »

refrained from meeting with disproof or argument what it

had laid down, and treated it with contemptuous silence.

Had these teachers of the schools frankly admitted the

changes called for by " Progress and Poverty," something

of the structure on which they built might have been re-

tained. But that was not in human nature. It would

not have been merely to accept a new man without the

training of the schools, but to admit that the true science

was open to any one to pursue, and could be successfully

continued only on the basis of equal rights and privileges.

It would not merely have made useless so much of the

knowledge that they had laboriously attained, and was

their title to distinction and honor, but would have con-

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verted them and their science into opponents of the tre-

mendous pecuniary interests that were vitally concerned

in supporting the justification of the unjust arrangements

which gave them power. The change in credence that this

would have involved would have been the most revolu-

tionary that had ever been made, involving a far-reaching

change in all the adjustments of society such as had hardly

before been thought of, and never before been accom-

plished at one stroke j for the abolition of chattel slavery

was as nothing in its effects as compared with the far-

reaching character of the abolition of private ownership

of land. Thus the professors of political economy, having

the sanction and support of the schools, preferred, and

naturally preferred, to unite their differences, by giving

up what had before been insisted on as essential, and to

teach what was an incomprehensible jargon to the ordinary

man, under the assumption of teaching an occult science,

which required a great study of what had been written by

numerous learned professors all over the world, and a

knowledge of foreign languages. So the scholastic polit-

ical economy, as it had been taught, utterly broke down,

and, as taught in the schools, tended to protectionism

and the German, and to the assumption that it was a

recondite science on which no one not having the indorse-

ment of the colleges was competent to speak, and on which

only a man of great reading and learning could express an

opinion.

The first evidence of the change was given in the "En-

cyclopaedia Britannica, ,, which in Vol. XIX. of the ninth

edition, printed in 1886, discarded the dogmatic article on

the science of political economy, which had been printed

in previous editions, and on the plea that political economy

was really in a transition state, and a dogmatic treatise

would not be opportune, gave the space instead to an

article on the science of political economy by Professor

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J. K. Ingram, which undertook to review all that had been

written about it, and was almost immediately reprinted in

an 8vo volume with an introduction by Professor E. J.

James, of the University of Pennsylvania, the leading

American protectionist institution of learning.

This confession that the old political economy was dead

was written in the " good God, good devil," or historical

style, and consisted in a notice of the writers on political

economy, from the most ancient times, through a first, a

second and a third modern phase, to the coming or histor-

ical phase.

Adam Smith is put down as leading in the third modern

school— the system of natural liberty. Among the prede-

cessors of Smith are reckoned the French Physiocrats,

whose proposition for a single tax on the value of land is

related to their doctrine of the productiveness of agricul-

ture and the sterility of manufactures and commerce,

"which has been disposed of by Smith and others, and

falls to the ground with the doctrine on which it was

based ; " and Smith himself is treated as a respectable " has-

been," whose teachings must now give way to the wider

criticism and larger knowledge of the historical school.

Writers of Prance, Spain, Germany, Italy and northern

nations are referred to in the utmost profusion, but there

is no reference whatever to the man or the book that was

then exerting more influence upon thought and finding

more purchasers than all the rest of them combined, an

example which has been followed to this day in the elabo-

rate four-volume" Dictionary of Political Economy," edited

by B. H. Inglis Palgrave.

This action was enough. The encyclopaedias and dic-

tionaries printed since have followed this example of the

Britannica. Chambers, which was the first to print a new

and revised edition, and Johnson's, which soon followed,

concluded in 1896, discarded what they had previously

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printed as the teaching of political economy for articles

in the style of the Britannica's ) while the new dictionaries

are repeatedly giving place to the jargon which has been

introduced as economic terms.

As for the University of Pennsylvania, the great au-

thority of American scholastic protectionism, it may be

said that it soon after relegated to a back seat its Professor

of Political Economy, Professor Robert Ellis Thompson,

a Scotsman, who had been up to that time teaching the

best scientific justification of protectionism that could be

had, and has put in his place the Professor E. J. James

already spoken of, and thrown its whole influence and re-

sources into the teaching of protection by the Anglicized

historical and inductive method, under a new though

rarely mentioned name. The new science speaks of the

"science of economics" and not of "political economy f

teaches that there are no eternally valid natural laws ; and,

asked if free trade or protection be beneficial or if the trusts

be good or bad, declines to give a categorical answer, but

replies that this can be decided only as to the particular

time and place, and by a historical investigation of all

that has been written about it. As such inquiry must, of

course, be left to professors and learned men, it leaves the

professors of " economics," who have almost universally

taken the places founded for professors of "political econ-

omy," to dictate as they please, without any semblance of

embarrassing axioms or rules. How this lends itself to

an acquiescence in the views or whims of the wealthy class,

dominant in all colleges, the University of Pennsylvania,

controlled in the interests of protectionists for revenue

only, was the first to find out, but it has been rapidly and

generally followed.

Such inquiry as I have been able to make of the recently

published works and writings of the authoritative pro-

fessors of the science has convinced me that this change

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has been general among all the colleges, both of England

and the United States. So general is this scholastic utter-

ance that it may now be said that the science of political

economy, as founded by Adam Smith and taught authori-

tatively in 1880, has now been utterly abandoned, its teach-

ings being referred to as teachings of " the classical school "

of political economy, now obsolete.

What has succeeded is usually denominated the Austrian

school, for no other reason that I can discover than that

" far kine have long horns." If it has any principles, I have

been utterly unable to find them. The inquirer is usually

referred to the incomprehensible works of Professor Alfred

Marshall of Cambridge, England, whose first 764-page

volume of his " Principles of Economics," out in 1891, has

not yet given place to a second ; to the ponderous works of

Eugen V. Bohm-Bawerk, Professor of Political Economy,

first in Innsbruck and then at Vienna, " Capital and In-

terest " and "The Positive Theory of Capital," translated

by Professor William Smart of Glasgow ; or to Professor

Smart's " Introduction to the Theory of Value on the Lines

of Menger, Wieser and Bohm-Bawerk," or to a lot of Ger-

man works written by men he never heard of and whose

names he cannot even pronounce.

This pseudo-science gets its name from a foreign lan-

guage, and uses for its terms words adapted from the

German— words that have no place and no meaning in an

English work. It is, indeed, admirably calculated to serve

the purpose of those powerful interests dominant in the

colleges under our organization, that must fear a simple

and understandable political economy, and who vaguely

wish to have the poor boys who are subjected to it by

their professors rendered incapable of thought on economic

subjects. There is nothing that suggests so much what

Schopenhauer ("Parerga and Paralipomena") said of the

works of the German philosopher Hegel than what the

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professors have written, and the volumes for mutual ad-

miration which they publish as serials :

If one should wish to make a bright young man so stupid as to

become incapable of all real thinking, the best way would be to

commend to him a diligent study of these works. For these monstrous

piecings together of words which really destroy and contradict one

another so causes the mind to vainly torment itself in the effort to

discover their meaning that at last it collapses exhausted, with its

capacity for thinking so completely destroyed that from that time on

meaningless phrases count with it for thoughts.

It is to this state that political economy in the teachings

of the schools, which profess to know all about it, has now

come.

CHAPTER IX.

WEALTH AND VALUE.

SHOWING THE REASON FOR CONSIDERING THE NATURE OP

VALUE BEFORE THAT OF WEALTH.

The point of agreement as to wealth— Advantages of proceeding

from this point.

WE have seen the utter confusion that exists among

economists as to the nature of wealth, and have

sufficiently shown its causes and results. Let us return

now to the question we have in hand, and that must first

be settled before we can advance on solid ground : What

is the meaning of wealth as an economic term!

The lack of definiteness and want of consistency as to

the nature of the wealth of nations, with which Adam

Smith began, have in the hands of his accredited succes-

sors resulted in confusion so much worse confounded that

the only proposition as to wealth on which we may say

that all economists are agreed is that all wealth has value.

But as to whether all that has value is wealth, or as to

what forms of value are wealth and what not, there is wide

divergence. And if we consider the definitions that are

given in accepted works either of the term wealth or of

the sub-term of wealth, capital, it will be seen that the

confusions as to the nature of wealth which they show

seem to proceed from confusions as to the nature of value.

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It is quite possible, I think, to fix the meaning of the

term wealth without first fixing the meaning of the term

value. This I did in "Progress and Poverty/' where

my purpose in defining the meaning of wealth was to

fix the meaning of its sub-term, capital, in order to see

whether or not it is true that wages are drawn from

capital But as in the present work, being a treatise on

the whole subject of political economy, it will be necessary

to treat independently of the nature of value, it will, I

think, be more conducive to orderly and concise arrange-

ment to consider the nature of value before proceeding

definitely to the consideration of the nature of wealth.

And since minds that have been befogged by accepted

confusions may be more easily opened to the truth by

pointing out in what these confusions consist, and how

they originate, this mode of proceeding to a determination

of the nature of wealth through an examination of the

nature of value will have the advantage of meeting on the

way the confusions as to value which in the minds of the

students of the scholastic economy have perplexed the idea

of wealth.

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CHAPTER X.

VALUE IN USE AND VALUE IN EXCHANGE.

SHOWING THE TWO SENSES OP VALUE; HOW THE DISTINC-

TION HAS BEEN IGNORED, AND ITS REAL VALIDITY; AND

THE REASON FOR CONFINING THE ECONOMIC TERM TO ONE

SENSE.

Importance of the term value— Original meaning of the word-

Its two senses— Names for them adopted by Smith— Utility and

desirability— Mill's criticism of Smith— Complete ignoring of the

distinction by the Austrian school— Cause of this confusion-

Capability of use not usefulness— Smith's distinction a real one

—The dual use of one word in common speech must be avoided in

political economy— Intrinsic value.

THE term value is of most fundamental importance

in political economy ; so much so that by some writers

political economy has been styled the science of values.

Yet in the consideration of the meaning and nature of

value we come at once into the very quicksand and f ogland

of economic discussion— a point which from the time of

Adam Smith to the present has been wrapped in increasing

confusions and beset with endless controversy. Let us

move carefully, even at the cost of what may seem at the

moment needless pains, for here is a point from which

apparently slight divergences may ultimately distort con-

clusions as to matters of the utmost practical moment.

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The original and widest meaning of the word " value " is

that of worth or worthiness, which involves and expresses

the idea of esteem or regard.

But we esteem some things for their own qualities or

for uses to which they may be directly put, while we esteem

other things for what they will bring in exchange. We

do not distinguish the kind or reason of regard in our use

of the word esteem, nor yet is there any need of doing

so in our common use of the word value. The sense in

which the word value is used, when not expressed in

the associated words or context, is for common purposes

sufficiently indicated by the conditions or nature of the

thing to which value is attributed. Thus, the one word

value has in common English speech two distinct senses.

One is that of usefulness or utility— as when we speak of

the value of the ocean to man, the value of the compass in

navigation, the value of the stethoscope in the diagnosis

of disease, the value of the antiseptic treatment in surgery ;

or when, having in mind the merits of the mental produc-

tion, its quality of usefulness to the reader or to the public,

we speak of the value of a book.

The other and, though derived, utterly distinct sense of

the word value, is that of what is usually, and for most

purposes even of political economy, sufficiently described

as exchangeability or purchasing power— as when we speak

of the value of gold as greater than that of iron ; of a book

in rich binding as being more valuable than the same book

in plain binding ; of the value of a copyright or a patent j

or of the lessening in the value of steel by the Bessemer

process, or in that of aluminium by the improvements in

extraction now going on.

The first sense of the word value, which is that of use-

fulness, the quality that a thing may have of ministering

directly to human needs, was distinguished by Adam Smith

as " value in use."

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The second sense of the word value, which is that of

worth in transfer or trade, the quality that a thing may-

have of ministering indirectly to human desire through

its exchangeability for other things, was distinguished by

Adam Smith as " value in exchange."

Adam Smith's words are (Book L, Chapter IV.) :

The word " value," it is to be observed, has two different meanings,

and sometimes expresses the utility of some particular object, and

sometimes the power of purchasing other goods which the possession

of that object conveys. The one may be called " value in use ; " the

other, "value in exchange." The things which have the greatest

value in use have frequently little or no value in exchange ; and, on

the contrary, those which have the greatest value in exchange have

frequently little or no value in use. Nothing is more useful than

water ; but it will purchase scarce anything ; scarce anything can be

had in exchange for it. A diamond, on the contrary, has scarce any

value in use, but a very great quantity of goods may frequently be

had in exchange for it.

These two terms, adopted by Adam Smith, as best ex-

pressing the two distinct senses of the word value, at once

took their place in the accepted economic terminology, and

have since his time been generally used.

But though the terms of distinction which he used have

been from the first accepted, tliis has not been the case

with the distinction itself. Prom the first, his successors

and commentators began to question its validity, declaring

that nothing could have exchange value for which there

was not demand ; that demand implied some kind of utility

or usefulness, and hence that what has value in exchange

must also have value in use ; and that Smith had been led

into confusion by a disposition to import moral distinc-

tions into a science that knows nothing of moral distinc-

tions. This view has been generally, so far indeed as I

know universally, accepted by political economists.\*

\* There is a latent confusion in the use of a word to which I must

here call attention, as I have in previous writings slipped into this

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Thus, John Stuart Mill (whom I take as the best ex-

ponent of the scholastically accepted political economy up

to the time when the Austrian or psychological school

began to become the " fad " of confused professors), begins

his treatment of value by pointing out that " the smallest

error on that subject infects with corresponding error all

our other conclusions, and anything vague or misty in our

conceptions of it creates confusion and uncertainty in

everything else." And he thus proceeds (" Principles of

Political Economy," Book m., Chapter L, Sec. 1) :

We must begin by settling our phraseology. Adam Smith, in a

passage often quoted, has touched upon the most obvious ambiguity

of the word " value ; " which, in one of its senses, signifies usefulness,

in another, power of purchasing ; in his own language, value in use

and value in exchange. But (as Mr. De Quincey has remarked) in

illustrating this double meaning, Adam Smith has himself fallen into

another ambiguity. Things (he says) which have the greatest value

in use have often little or no value in exchange ; which is true, since

that which can be obtained without labor or sacrifice will command

no price, however useful or needful it may be. But he proceeds

use myself. The word " utility " correctly expresses the idea of what

gives value in use— the quality of usefulness. And the word "de-

sirability" is sometimes used by economists to express the contrasted

idea, of what gives value in exchange, the quality of being flgs ire fli

though not necessarily satisfying a neeop r useful purpose. Such use

seems convenient and has some sanction in economic writing, and I

see that I have fallen into it in Part I., Chapter V., of my "A Per-

plexed Philosopher/' where I say :

"If we inquire what is the attribute or condition concurring with

the presence, absence or degree of value attaching to anything— we

see that things having some form of utility or desirability, are valu-

able or not valuable, as they are hard or easy to get."

Yet in reality such use of the word is not correct. There is a dif-

ficulty in using the word " desirability " in distinction to " utility. "

"Utility" means the capability of being used, and by analogy "de-

sirability" should mean the capability of being desired. Yet if it

did, it would not be the word we need to contrast with utility. For

words of distinction must be words of restriction, as are "utility"

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to add, that things which have the greatest value in exchange, as a

diamond for example, may have little or no value in use. This is

employing the word " use/' not in the sense in which political economy

is concerned with it, but in that other sense in which use is opposed to

pleasure. Political economy has nothing to do with the comparative

estimation of different uses in the judgment of a philosopher or of

a moralist. The use of a thing, in political economy, means its

capacity to satisfy a desire, or serve a purpose. Diamonds have this

capacity in a high degree, and unless they had it, would not bear any

price. Value in use, or, as Mr. De Quincey calls it, "teleologie"

value, is the extreme limit of value in exchange. The exchange value

of a thing may fall short, to any amount, of its value in use ; but that

it can ever exceed the value in use implies contradiction ; it supposes

that persons will give, to possess a thing, more than the utmost value

which they themselves put upon it, as a means of gratifying their

inclinations.

The word "value," when used without adjunct, always means, in

political economy, value in exchange.

or "usefulness "—expressing a capability in some things which other

things do not have. "Desirability," however, even if it had or we

could give it the sense of capability of being desired, would not be

a word of restriction, since anything without exception may be de-

sired, and what we really want is not a word which expresses the

capability of being desired, but the fact of being desired. "Desir-

ability n in its well-established use, however, does not mean the capa-

bility of being desired, as "utility" means the capability of being used.

When we say that a thing is desirable or undesirable, we do not mean

that it may or may not be desired, nor that it is or is not desired,

but that it ought or ought not to be desired. Thus, a desirable

exchange or trade is an exchange which, with reference to the party

considered, will prove a good one. An undesirable exchange is one

that will to the party considered prove a bad one. So we speak of

a desirable book, horse, beverage, food, medicine, appetite, habit,

thought, feeling or gratification, with reference to an ultimate benefit

or injury to the person or persons specially considered or to mankind

generally. So, indeed, we may speak even of a desirable or unde-

sirable desire. The reason why there is no word in the English lan-

guage which expresses the idea I wish to express, and which if at

liberty to coin a word I should call ^desiredness," is that the one

word, "value," serving in common speech for both senses, there is

no common need for it.

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Here is a queer settlement of phraseology. Let us pick

out the positive statements. They are : That Adam Smith

was wrong in saying that things which have the greatest

value in exchange, as a diamond, may have little or no

value in use, because the use of a thing in political econ-

omy, which knows nothing of any moral estimate of uses,

means its capacity to satisfy a desire or serve a purpose—

a capacity which diamonds have in high degree, and unless

they had it would not have any value in exchange (" bear

any price \*). Value in use is the highest possible ("ex-

treme limit of") value in exchange. The exchange value

of a thing can never exceed the use value of a thing. To

suppose that it could implies a contradiction-— that persons

will give to possess a thing more than its utmost use value

to them ("value which they themselves put upon it as a

means of gratifying their inclinations").

In this there is a complete identification of value in use,

utility or usefulness, with value in exchange, exchange-

ability or purchasing power. What then becomes of

Mill's other statement in the same paragraph f If Adam

Smith was wrong in saying that the exchange value of a

thing may be more than its use value, how could he be

right in saying that the exchange value of a thing may be

less than its use value f If value in use is the highest limit

of value in exchange, is it not necessarily the lowest limit f

If diamonds derive their exchange value from their capacity

to satisfy a desire or serve a purpose, do not beans t If

value in exchange means merely value in use, why does

Mr. Mill distinguish between the twp senses of the word

value, that of usefulness, and that of purchasing power f

Why does he tell us that the word value, when used with-

out adjunct, always means in political economy value in

exchange t Why keep up a distinction where there is

really no difference?

In this identification of utility with " desiredness " (which

I have merely quoted Mill to illustrate, for it began imme-

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diately after Adam Smith, and was well rooted in the cur-

rent political economy long before Mill, as he indeed

declares, saying in the first paragraph of his treatment of

values, "Happily there is nothing in the laws of value

which remains for the present or any future writer to clear

up ; the theory of the subject is complete ") is the begin-

ning of that theory of value as springing from marginal

utilities of which Jevons was the first English expounder,

and which has been carried to elaborate development by

what is known as the Austrian or psychological school.

This school, setting aside all distinction between value in

use and value in exchange, makes value without distinc-

tion an expression of the intensity of desire, thus tracing

it to a purely mental or subjective origin. In this theory

the intensity of the desire of the bread-eater to eat bread

fixes the extreme or marginal utility of bread. This again

fixes the utility of the products of which bread is made-

flour, yeast, fuel, etc.— -and of the tools used in making it

—ovens, pans, etc.— and again of the natural materials

used in making these products, and finally of the land and

labor.

But all this elaborate piling of confusion on confusion

originates, as we may see in Mill, in a careless use of

words. Nothing indeed could more strikingly illustrate

the need of the warning as to the use of words in political

economy which I endeavored to impress on the reader in

the introductory chapter of this work than the spectacle

here presented of the author of the most elaborate work

on logic in the English language falling into vital error in

what he himself declares to be a most fundamental ques-

tion of political economy, from failure to apprehend a

distinction in the meaning of two common words. Yet

here plainly enough is the source of Mill's acceptance of

what much inferior thinkers to Adam Smith had deemed

a correction of the great Scotsman. The gist of his argu-

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ment is that the capability of " a use/' in the sense of sat-

isfying a desire or serving a purpose, is identical with

usefulness. But this is not so. Every child learns long

before he reaches his teens that the capability of a use is

not usefulness. Here, for instance, is a dialogue such as

every one who has gone to an old-fashioned primary school

or mixed as a boy with boys must have heard time and

again:

First Boy— What's the use of that crooked pin you're

bending t

Second Boy— What's the use ! Its use is to lay it on

a seat some fellow is just going to sit down on, and to

make him jump and squeal, and to hear the teacher charg-

ing around while you're busy studying your lesson, and

don't know anything about what's the matter.

This is certainly a use; but would any one, even a

school-boy, attribute usefulness to such a use?

So, the wearing of nose-rings by some savages; the

tattooing of their bodies by other savages, and by sailors ;

the squeezing of their waists by civilized women ; the mon-

strous structures into which the hair of fashionable Euro-

pean ladies was built in the last century ; the hooped skirts

worn during a part of this ; the pitiful distortion practised

on the feet of upper-class female infants by the Chinese,

are all uses. But do they therefore imply usefulness f

Again, the thumb-screws brought from Russia by Dr um-

mond and Dalziel, when they were sent to Scotland by

Charles II. to force Episcopacy upon the Covenanters, had

" a use." The racks which the English captors of the ships

of the Spanish Armada were said to have found in those

vessels, intended, as was believed, for the purpose of con-

verting English Protestants to the true faith of Rome, had

also a capacity of satisfying a devilish desire. They had

unquestionably at that time value in exchange, and indeed,'

if still in existence, would have value in exchange now, for

CHAPTER IX.

WEALTH AND VALUE.

SHOWING THE REASON FOR CONSIDERING THE NATURE OP

VALUE BEFORE THAT OF WEALTH.

The point of agreement as to wealth— Advantages of proceeding

from this point.

WE have seen the utter confusion that exists among

economists as to the nature of wealth, and have

sufficiently shown its causes and results. Let us return

now to the question we have in hand, and that must first

be settled before we can advance on solid ground : What

is the meaning of wealth as an economic term f

The lack of definiteness and want of consistency as to

the nature of the wealth of nations, with which Adam

Smith began, have in the hands of his accredited succes-

sors resulted in confusion so much worse confounded that

the only proposition as to wealth on which we may say

that all economists are agreed is that all wealth has value.

But as to whether all that has value is wealth, or as to

what forms of value are wealth and what not, there is wide

divergence. And if we consider the definitions that are

given in accepted works either of the term wealth or of

the sub-term of wealth, capital, it will be seen that the

confusions as to the nature of wealth which they show

seem to proceed from confusions as to the nature of value.

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It is quite possible, I think, to fix the meaning of the

term wealth without first fixing the meaning of the term

value. This I did in "Progress and Poverty," where

my purpose in defining the meaning of wealth was to

fix the meaning of its sub-term, capital, in order to see

whether or not it is true that wages are drawn from

capital But as in the present work, being a treatise on

the whole subject of political economy, it will be necessary

to treat independently of the nature of value, it will, I

think, be more conducive to orderly and concise arrange-

ment to consider the nature of value before proceeding

definitely to the consideration of the nature of wealth.

And since minds that have been befogged by accepted

confusions may be more easily opened to the truth by

pointing out in what these confusions consist, and how

they originate, this mode of proceeding to a determination

of the nature of wealth through an examination of the

nature of value will have the advantage of meeting on the

way the confusions as to value which in the minds of the

students of the scholastic economy have perplexed the idea

of wealth.

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There is, to be sure, a special sense in which, comf orm-

ably to usage, we may speak in certain cases of an intrinsic

value as applying to the part of the value which comes

wholly from the estimate of man, and where in reality in-

herent or intrinsic value cannot exist. The cases in which

we do this are cases in which we wish to distinguish be-

tween the exchange value which a thing may have in a

higher or more valuable form and that exchange value

which still remains if it were reduced to a lower or less

valuable form. Thus, a silver pitcher or a United States

silver coin would loose exchange value if beaten into in-

gots ; or a coil of lead pipe or a ship's anchor and cable

would lose in exchange value if melted into pigs. Yet

they would retain the exchange value of the metal from

which they were made. This value in exchange which

would remain in a lower form we are accustomed to speak

of as " intrinsic value." But in using this term we should

always remember its merely relative sense. Value in the

economic sense, or value in exchange, can never really be

intrinsic. It refers not to any property of the thing itself,

but to an estimate that is placed on it by man— to the toil

and trouble that men will undergo to acquire possession

of it, or the amount of other things costing toil and trouble

that they will give for it.

Nor is there any common measure in the human mind

between usefulness and exchangeability. Whether we

most esteem a thing for the intrinsic qualities that give it

usefulness, or for its intrinsic quality of commanding other

things in exchange, depends upon conditions.

A daring fellow recently crossed from the coast of Nor-

way to the United States in a sixteen-foot boat. Suppos-

ing him to come to New York, and one of our hundredfold

millionaires, in the fashion of an Arabian Nights' Sultan,

to say to him : " If you will make a trip at my direction

you may fill up your boat at my expense with anything

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you choose to take from New York, regardless of its cost."

What would he fill it up with? That could not be an-

swered in a word, as it would entirely depend upon where

the millionaire wanted him to go. If he were merely to

cross the North River from New York to Jersey City, he

would disregard value in use and fill up with what had the

highest value in exchange, in comparison to bulk and

weight— gold, diamonds, paper money. To carry the more

of these he would leave out everything having value in use

that he could get along without for an hour or two— even

to extra sails, anchor, sea-drag, compass, a morsel of food

or a drink of water. But if he were to cross the Atlantic

again, his first care would be for things useful in the

management of his boat and the maintenance of his own

life and comfort during the long months of danger and

solitude before he could hope again to reach land. He

would regard value in use, disregarding value in exchange.

If he had not lost the prudence which, no less than daring,

is required successfully to make such a trip, it may well be

doubted whether he would not prefer to carry its weight

in fresh water than to take a single diamond or gold piece

and prefer another can of biscuit or condensed beef to

the last bundle of thousand-dollar notes that he might take

instead.

Adam Smith was right. The distinction between value

in use and value in exchange is an essential one. It is so

clear and true and necessary that, as we have seen, John

Stuart Mill could not refrain from partially recognizing it

in thfe very breath in which he had eliminated it altogether,

and the later economists who have carried the confusion

which he expresses to a point of more elaborate confusion

are also compelled to recognize it the moment they get out

of the fog of ill-understood words. Despite all attempts

to confuse and obliterate them, " value in use " and " value

in exchange " must still hold their place in economic ter-

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minology. The terms themselves are perhaps not the

happiest that might be chosen. But so long have they

now been used that it would be difficult to substitute any-

thing in their place. It is only necessary to do what Adam

Smith could hardly have deemed necessary— point out

what they really mean. They were taken indeed by him

from common speech, and still retain the great advantage

to any economic term of being generally intelligible.

In common speech the one word value, as I have already

said, usually suffices to express either value in use or value

in exchange. For which sense of the word value is meant

is ordinarily indicated with sufficient clearness either by

the context or by the situation or nature of the thing spoken

of. But in cases where there is no indication thus sup-

plied, or the indication is not sufficiently clear, the use of

the word " value" will at once provoke a question equivalent

to " Do you mean value for use or value for exchange T"

Thus, if a man says to me, " That is a valuable dog, he

saved a child from drowning ; " I know that the value he

means is value in use. If he says, however, "That is a

valuable dog, his brother brought a hundred dollars ; " I

know that he has in mind value in exchange. Even where

he says simply, " That is a valuable dog," there is generally

some indication that enables me to tell what sense of value

he has in mind. If there is none, and I am interested

enough to care, I ask for it by such question as " Why T w

or "What fort"

In economic reasoning, however, the danger of using

one word to represent two distinct and often contrasted

ideas is very much greater than in common speech, and if

the word is to be retained, one of its senses must be

abandoned. Of the two meanings of the word value, the

first, that of value in use, is not called for, or called for

only incidentally in political economy ; while the second,

that of value in exchange, is called for continually, for

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this is the value with which political economy deals. To

economize the use of words, while at the same time

avoiding liability to misunderstanding and confusion, it

is expedient, therefore, to restrict the use of the word

value, as an economic term, to the meaning of value in

exchange, as was done by Adam Smith, and has since his

time generally been followed ; and to discard the use of

the single word value in the sense of value in use, sub-

stituting for it where there is occasion to express the

idea of value in use, and the close context does not clearly

show the limitation of meaning, either the term " value in

use" or some such word as usefulness or utility. This I

shall endeavor to do in this work— using hereafter the

single term value, as meaning purchasing power or " value

in exchange."

CHAPTER XI.

ECONOMIC VALUE-ITS REAL MEANING AND

PINAL MEASURE.

SHOWING HOW VALUE IN EXCHANGE HAS BEEN DEEMED A

RELATION OP PROPORTION ; AND THE AMBIGUITY WHICH

TTAS LED TO THIS.

The conception of value as a relation of proportion— It is really a

relation to e xertio n— Adam Smith's perception of this— His rea-

sons for accepting the term value in exchange— His confusion

and that of his successors.

VALUE, as an economic term, means, as we have seen,

what in defining it from the other sense of the word

value, is known as value in exchange, or exchangeability.

And to this meaning alone I shall, when using the word

value without adjunct, hereafter confine it.

But from what does this quality of value in exchange,

or exchangeability, proceed t And by what may we mea-

sure itt """ :

~~\*As-\*o this the current teachings of political economy

are, that value, the quality or power of exchangeability, is

a relation between each exchangeable thing and all other

exchangeable things. Thus, it is said, there can be no

general increase or decrease of values, since what one val-

uable thing may gain in exchange power, some other val-

uable thing or things must lose ; and what one loses some

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other or others must gain. In other words, the relation

of value being a relation of ratio or proportion, any change

in one ratio must involve reverse changes in other ratios,

since the sum total of ratios can neither be increased nor

diminished. There may be increase or decrease of value }

in any one or more things, as compared with any other \

one or more things ; but no increase or decrease in all \

values at once. A ll prices, for instance, may increase oxJ

diminish, because price is a relation of exchangeability

between all other exchangeable things and one particular

exchangeable thing, money ; and increase or decrease of

price (greater or less exchangeability of other things for

money) involves correlatively decrease or increase of the

exchangeability of money for other things. But increase

or decrease in value generally (i.e., all values) is a contra-

diction in terms.

This view has a certain plausibility. Yet to examine it

is to see that it makes value dependent on value without

possibility of measurement except arbitrarily and \*fi1ft-

tivjflv. by comparing one value with another ; that it leaves

the idea of value swimming, as it were, in vacancy, with-

out connection or fixed starting-point, such as we attach

to all other qualities of relation, and without which any

definite idea of relation is impossible.

Thus, such qualities as size, distance, direction, color,

consanguinity and the like are only comprehensible and

intelligible to us by reference to some fixed starting-point,

to which and not to all other things having the same

quality the relation is made. Size and distance, for in-

stance, are comprehended and intelligibly expressed as

relations to certain measures of extension, such as the

barleycorn, the foot, the meter, diameters of the earth, or

diameters of the earth's orbit j direction, as a relation to

the radii of a sphere, which, proceeding from a central

point, would include all possible directions; color, as a

1.1.\* \

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relation to the order in which certain impressions are re-

ceived through the human eye ; consanguinity, as a relation

in blood to the primary blood-relationship, that between

parent and child ; and so on.

Now, has not also the idea of value some fixed starting-

point, by which it becomes comprehensible and intelligible,

as have all other ideas of relation?

Clearly it has. What the idea of value really springs

f rom, is not the relation of each thing having value to all

things having value, but the relation of each thing having

,.value to something which is the sourc e an d natura l mea-

^ sure of all val^e.— namely, hu man exertion, with its atten-

Adam Smith saw this, though he may not have consis-

tently held to it, as was the case with some other things he

clearly saw for a moment, as through a rift in clouds which

afterwards closed up again. In the first paragraphs of

Chapter V., Book I., " Wealth of Nations/' he says :

Every man is rich or poor according to the degree in which he

can afford to enjoy the necessaries, conveniences and amusements of

human life. But after the division of labor has once thoroughly

taken place, it is but a very small part of these with which a man's

own labor can supply him. The far greater part of them he must

derive from the labor of other people, and he must be rich or poor

according to the quantity of that labor which he can command, or

which he can afford to purchase. The value of any commodity,

therefore, to the person who possesses it, and who means not to use

or consume it himself, but to exchange it for other commodities, is

- equal to the quantity of labor which it enables him to purchase or

command. Labor, therefore, is the real measure of the exchangeable

value of all commodities.

The real price of everything, what everything really costs to the

man who wants to acquire it, is tl^toiLandJrouble of acquiring it.

What everything is really worth to the man wholiafl taquireaTlpand

who wants to dispose of it or exchange it for something else, is the

toil and trouble which it can save to himself, and which it can impose

upon other people. What is bought with money or with goods is

purchased by labor, as much as what we acquire by the toil of our

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own body. That money or those goods indeed 'save ns this toil.

They contain the value of a certain quantity of labor, which we ex-

change for what is supposed at the time to contain the value of an

equal quantity. Labor was the first price, the original purchase

money that was paid for all things. It was not by gold or by silver,

but by labor, that all the wealth of the world was originally pur-

chased ; and. its value, to those who possess it, and who want to

exchange it for some new productions, is precisely equal to the

quantity of labor which it can enable them to purchase or command.

Wealth, as Mr. Hobbes says, is power. But the person who either

acquires or succeeds to a great fortune, does not necessarily acquire

or succeed to any political power, either civil or military. His for-

tune may perhaps afford him the means of acquiring both, but the

mere possession of that fortune does not necessarily convey to him

either. The) power which that possession immediately and directly

conveys to him is the power of purchasing ; a certain command over

all the labor, or over all the produce of labor which is then in the

market. His fortune is greater or less precisely in proportion to the

extent of this power ; or to the quantity of other men's labor, or,

what is the same thing, of the produce of other men's labor which it

enables him to purchase or command. The exchangeable value of

everything must always be precisely equal to the extent of this

power which it will convey to its owner.

This is perfectly clear, if we attend only to the meaning

Adam Smith puts upon the words he uses somewhat

loosely. The sense in which he uses the word labor is

that of exertion, with its inseparable attendants, toil and

trouble. What he means by price, is cost in toil and

trouble, as he indeed incidentally explains\* and by wealth

\* "Price," as an economic term, has come to mean value in terms

of money, or at least in terms of one particular commodity ; but Adam

Smith did not make this distinction. He uses the word "price"

sometimes where he means "cost," and sometimes where he means

"value." This use of price for value he once in a while indicates,

as where, in Chapter VI., he speaks of "Jprice or exchangeable value,"

but in general he leaves it to inference. Where it is necessary for

him to make the distinction between what we now call value and

what we now call price, he usually speaks of the one as "real price "

and of the other as "nominal price," meaning by "real £iice "\_value

'~v labor, and by " nominal price " value in money.

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he evidently means the products or tangible results of

human exertion. What he says is that value is the equiva-

lent of the toil and trouble of exertion, and that its mea-

sure is the amount of toil and trouble that it will save to

the owner or enable him by exchange to induce others to

take for him.

And he again repeats this statement a little further on

in the same book :

Equal quantities of labor, at all times and places, may be said to

be of equal value to the laborer. In his ordinary state of health,

strength and spirits ; in the ordinary degree of his skill and dexterity,

he must always lay down the same portion of his ease, his liberty,

and his happiness. The price which he pays must always be the

same, whatever may be the quantity of goods which he receives in

return for it. Of these indeed it may sometimes purchase a greater

and sometimes a smaller quantity ; but it is their value which varies,

not that of the labor which purchases them. At all times and places

that is dear which it is difficult to come at, or which it costs much

labor to acquire ; and that cheap which is to be had easily, or with

very little labor. Labor alone, therefore, never varying in its own

value, is alone the ultim ate and real standard by which the value of

all commodities can"at all times anoTptftceB\*be estimated and com-

pared. It is their real price ; money is their nominal price only. . . .

Labor, therefore, it appears evidently, is the only universal, as well

as the only accurate measure of value, or the only standard by which

we can compare the values of different commodities at all times and

at all places.

How then is it that Adam Smith, when he needed a

term which should express the second sense of the word

value, did not adopt a phrase that would bring out the

fundamental meaning of value in this sense, such, for in-

N stance, as " value in toil," or " value in exertion," or " value

^ in labor ; n but ihstead of any of them chose a phrase,

"value in exchange," which refers directly to only a

secondary and derivative meaning?

The reasons he himself gives, in what immediately fol-

lows the first two paragraphs I have quoted :

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Bat though labor be the real measure of the exchangeable value

of all commodities, it is not that by which their value is commonly

estimated. It is often difficult to ascertain the proportion between

two different quantities of labor. The time spent in two different

sorts of work will not always alone determine this proportion. The

different degrees of hardship endured, and of ingenuity exercised,

must likewise be taken into account. There may be more labor in

a n hour's hard work than in twpjiaurs\_'.e&ay business ; or in an hour's

application to a trade which it cost ten years' labor to learn, than in

a month's industry at an ordinary and obvious employment. But it

is not easy to find any accurate measure either of hardship or inge-

nuity. In exchanging, indeed, the different productions of different

sorts of labor for one another, aA Tffi ftl 1 'y rQ " AQ jfl \*™™™™iiy made for

both. \(lt is adjusted, however, not by any accurate measure, but by ?

the higgling and the bargaining of the market, according to that sort ?

of rough equality which, though not exact, is yet sufficient for carry- j

ing on the business of common life. )) '

Every commodity, besides, is more frequently exchanged for, and

thereby compared with, other commodities than with labor. It is

more natural therefore to estimate its exchangeable value by the

quantity of some other commodity, than by that of the labor which

it can purchase. The greater part of people, too, understand better

what is meant by a quantity of a particular commodity than by a

quantity of labor. The one is a plain and palpable object ; the other

an abstract notion, which, though it can be made sufficiently intelli-

gible, is not altogether so natural and obvious.

There are here t wo reas ons assigned for the choice of

the term "value in exchange to denote what Smith saw

with perfect, though only momentary clearness, really to

mean "value in exertion," or in the phraseology he uses,

" value in labor."

The first, and it is a weighty one, is that the term " value

in exchange" was already familiar, and would be best

understood in bringing out the distinction he wished to

dwell upon— the difference between value in the economic

sense and " value in use."

The second, which indicates a confusion in the philoso-

pher's own mind— the swiftness with which the clouds

drifted over the star he had just seen— is that he could

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think of nothing by which to measure the toil and trouble

of exertion except time of application, which he truly saw

could only measure quantity a^d not quality— that is to

say, duration, not intensity^ He failed to recognize the

( obvious fact that If the toil and trouble of exertion dis-

/ pensed with be the measure of value, then T correlatively .

value must be the real measure of the toil and trouble of

that exertion, and that the something he was seemingly

looking for— some material thing or attribute which, as a

yardstick measures length and a standard weight mea-

sures mass, should, in dependently of " the higgling of the

market," measure the toil and trouble of exertion— is not to

be found, because it cannot exist, the only possibility of

such a measurement lying in "the higgling of the market."

For since toil and trouble, which constitute the resistance

to exertion, are subjective feelings which cannot be objec-

tively recognized until brought, through their influence

upon action, into the objective field, there is no way of

measuring them except by the inducement that will tempt

men to undergo them in exertion, which can be determined

only by competition or " the higgling of the market."

So, for a good reason and a bad reason, Adam Smith,

for the purpose of expressing the economic sense of the

word value, chose the term "value in exchange." It

would be too much to say that he made a bad choice,

especially considering his time and the main purpose he

had in mind, which was to show the absurdity of what

was then called the mercantile system, and has since been

re-christened the protective system. But the ambiguity

involved in the term "value in exchange" has been a

stumbling-block in political economy from his day to this,

and, indeed, to the ambiguity concealed in his own chosen

term Adam Smith himself fell a victim. Or perhaps,

rather, it should be said, that the ambiguity of the term

allowed him to retain confusions that were already in his

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mind, save when in the paragraphs just quoted he

momentarily brushed them away, only to have them recur

again. It will be noticed that, in these paragraphs, Smith

clearly distinguishes between labor and commodities, evi-

dently meaning by commodities things produced by labor ;

and that he seems clearly to understand by wealth the

products of labor. But in other places he drops into the

confusion of treating labor itself as a commodity, and of

classing personal qualities, such as industry, skill, know-

ledge, etc., as articles of wealth ; just as, in Chapter VIII.,

he clearly sees and correctly states the true origin and

nature of wages where he says : " The produce of labor

constitutes the natural recompense or wages of labor,"

only almost immediately to abandon it and proceed to

treat wages as supplied from the capital of the employer.

Adam Smith was never called upon to revise or in any

way to reconsider the statement of his great book as to

the nature of value, the discussion on the subject having

arisen since his death. His successors in political economy

have been with few exceptions, not men of original

thought, but the mere imitators, compilers and straw-

splitters who usually follow a great work of genius. They

have, without looking further, accepted the term used by

him, "value in exchange," not merely in the same way

that he accepted it, as a convenient, because a readily

understood, name for a quality, but as expressing the na-

ture of that quality. Thus Adam Smith's explanation of

the essential relation of value to the exertion of labor has

been virtually, if not utterly, ignored. And from looking

further than exchangeability for an explanation of the

nature of value, these succeeding economists have been

dissuaded and debarred not only by certain facte not un-

derstood, such as the fact that many things having value

do not originate in labor, and by erroneous conceptions,

such as that which treats labor itself as a commodity ; but

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by a greatly effective, though doubtless in most cases a

very vague recognition of the fact that danger to existing

social institutions would follow any too searching an

inquiry into the fundamental principle of value. A world

of ingenuity has been expended and monstrous books have

been written that it will tire a man to read and almost

make him doubt his own sanity to try to understand, to

solve the problem of the fundamental nature of value in

exchange. Yet they have resulted in what are but pon-

/ derous elaborations of confusion, for the good and sufficient

reason that the essence or foundation of what we call value

y in exchange does not lie in exchangeability at all, but in

something from which exchangeability springs— the toil

/ and trouble attendant upon exertion.

Let me endeavor, even at some length, to prove this in

a succeeding chapter, for most vital and far-reaching eco-

nomic issues are involved in this settlement of the meaning

of a term.

CHAPTER XII.

VALUE IN EXCHANGE REALLY RELATED

TO LABOR.

SHOWING THAT VALUE DOES NOT COME FROM EXCHANGE-

ABILITY, BUT EXCHANGEABILITY PROM VALUE, WHICH IS

AN EXPRESSION OP THE SAVING OP LABOR INVOLVED IN

POSSESSION.

Root of the assumption that the sum of values cannot increase or

diminish— The fundamental idea of proportion— We cannot really

think of value in this way— The confusion that makes us imagine

that we do— The tacit assumption and reluctance to examine that

bolster the current notion— Imaginative experiment shows that

value is related to labor— Common facts that prove this— Current

assumption a fallacy of undistributed middle— Various senses of

" labor w — Exertion positive and exertion negative— Re-statement

of the proposition as to value— Of desire and its measurement-

Causal relationship of value and exchangeability— Imaginative

experiment showing that value may exist where exchange is im-

possible—Value an expression of exertion avoided.

FROM the assumption that economic value is not merely

what we have found it convenient to call value in

exchange, but in reality is exchangeability— a quality of

power by which the owner of a valuable thing may, by

surrendering his ownership to some one else, obtain from

him by similar transfer the ownership of another valuable

thing— value is thought of as proceeding from value, and

existing in a circle of which each part must have a relation

of proportion or ratio to all other parts. It is this that

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gives axiomatic semblance to the proposition that while

there may be increase or decrease in some values, this

must always involve reversely decrease or increase in some

other values, and hence that increase or decrease of all

values, or of the sum of values, is impossible. If value be

really a relation of proportion, this indeed is self-evident.

But is value really a relation of proportion or ratio f

What is the fundamental idea of proportion or ratio f Is

it not that of the relation of the parts of a whole to that

whole 1 When we use such a phrase as one-eighth we

mean the relation of a part represented as one of eight

equal partitions to a whole represented by one. When we

use such a phrase as 10 per cent, we mean a relation of a

part represented by ten of 100 equal partitions to a whole

represented by 100. So such propositions as £+ i = £ ;

or .153 + .147 = .3; or 4 :8 ::6 : 12; or 5% + 4% = 9%,

depend for their validity upon the relations of the propor-

tions spoken of to a whole or totality, which is the sum of

all possible proportions. That there cannot be increase or

decrease in all proportions follows from the axiom that a

whole is equal to the sum of its parts.

But if value be a relation of proportion or ratio, what

is the whole which it implies f How shall we express this

totality? Or by what calculus shall we fix the relations

of its parts, the numberless and constantly changing arti-

cles of value? Might we not as well try to think of or

express the relation of each particular hair of our heads to

the sum of the hairs in the heads of all humanity?

The truth is that we cannot think of value in this way,

nor do we really try to, and the more ingenious and elabo-

rate the attempts that have been made to give something

like solid support and logical coherency to the prevailing

theory that value is really nothing more than exchange-

ability only the more clearly show its utter inadequacy.

Thus the latest and most elaborate of these attempts, that

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of the Austrian or psychological school, which has been of

recent years so generally accepted in the universities and

colleges of the United States and England, and which de-

rives value from what it calls " marginal utilities," is an

attempt to emulate in economic reasoning the stories told

of East Indian jugglers, who throwing a ball of thread into

the air, pull up by it a stouter thread, then a rope, and

finally a ladder, on which they ascend until out of sight,

and then— come down again !

For whoever will work his way through the perplexities

of their reasoning will find that the adherents of this school

derive the value of pig-iron, for instance, or even of iron

ore in the vein, from the willingness of consumers to pay

for higher and more elaborate products into the produc-

tion of which iron enters, deriving that willingness from

a mental estimate on the part of consumers of the utility

of these products to them. Thus, as coolly as such stories

of Indian jugglers ignore the law of gravitation, do they

ignore that law which to political economy is what gravi-

tation is to physics, the law that men seek to satisfy their

desires with the least exertion— a law from which proceeds

the universal fact that as a matter of exchange no one will

pay more for anything than he is obliged to.

These elaborate attempts to link value on utility, and

utility on individual will or perception, in order to find a

support for the idea of value, only show that there is no

resting-place in the supposition that value proceeds from

exchangeability, and can only be relative to other values.

The plausibility of this supposition comes from confusion

in the use of a simple word.

Of all words in common use in the English tongue the

word " thing " is the widest. It includes whatever may be

an object of thought— an atom or a universe ; a fact or a

fancy ; what comes into consciousness through our senses

and what constitutes the peopling and furniture of our

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dreams; that which analysis cannot further resolve and

that which has no other coherence than a verbal habit or

mistake. But this comprehensiveness of the word we are

sometimes apt to forget, or not fully to keep in mind, and

to use such phrases as "all things" or "anything" when

we really have in mind only things of one particular kind.

When we wish [to test the proposition that value is a

relation of exchangeability between valuable things, we

usually proceed to make a mental experiment with some

few valuable things, for it would be impossible to take

them all, and tiresome to attempt it. For the things se-

lected for this experiment we are apt, as examination and

observation will show, and as is evident in the writings of

economists, to take such things as are most widely known

and commonly exchanged, turning the particular into the

general when required, by the formula, expressed or im-

plied, "and other valuable things." Thus, for instance,

we think of money, or as the most widely known repre-

sentative of money, a piece of gold, and say to ourselves :

" Here is a piece of gold. Why is it valuable 1 It is that

it can be exchanged for wheat, hardware, cotton goods and

other valuable things. If it could not be so exchanged it

would have no value, and the measure of its value is the

value of the wheat, hardware, cotton goods and other val-

uable things for which it is exchangeable. If the relation

of exchangeability alters so that for the same piece of gold

one can obtain more wheat, hardware, cotton goods and

other valuable things, the value of the gold rises, and that

of the other valuable things falls. If the relation of ex-

changeability alters so that the piece of gold will exchange

for less of these things, the value of the gold falls and that

of the other things rises." Then, we reverse the standpoint

of examination, taking in turn wheat, hardware or cotton

goods, as representative of a particular instance of value,

and gold, as representing other valuable things ; and seeing

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that their value depends upon their exchangeable relation

in the same way as that of gold in our first experiment,

we conclude that value is indeed a relation of exchange-

ability, and that that is the beginning and end of it.

Thus, that value depends on value, and springs from

value and can only be measured by value— that is, by the

selection of some particular article having value, from

which relatively and empirically the value of other articles

may be measured— seems to us perfectly clear, and we

accept the doctrine that there can be no general increase

or decrease in values, as if it were but another statement

of the axiom that a whole is equal to the sum of its parts,

and consequently that all those parts can never be increased

or diminished at the same time. The habitual use of money

as a common measure of value is apt to prevent any reali-

zation of the fact that we are reasoning in a circle.

I think I have correctly described the line of reasoning

which makes the derivation of value from exchangeability

so plausible. I do not of course mean to say that labor is

never taken into account. It is often expressly mentioned

and always implied to be one of the valuable things in the

category of valuable or exchangeable things. But the

weight of the examination is, I think, always thrown upon

such things as I have named— things resulting from the

exertion of labor ; while labor itself is passed over lightly

as one of the " other valuable things," and attention never

rests upon it.

And, furthermore, I am inclined to think that there

always lurks in this examination— which is in reality an

examination of the relative value of products of labor—

the tacit assumption that the quantity of the valuable

things (thought of as products of labor) existing at the

specific moment presumed in the examination is a fixed

quantity, so that there can be no exchange between those

possessed of valuable things (i.e., products of labor) and

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those possessed of no valuable things (t'.e., no products of

labor). This, I think, is the case even where there is an

assumption of giving the value of labor a place in the

category of considered values, for what the reputed econ-

omists since Smith have called the " value of labor " is in

reality the value of the products of labor paid to laborers

in wages, which has been usually assumed to come from a

(at any given moment) fixed quantity, capital. And on

another side, any rigorous examination of the nature of

value has been prevented by the universal disposition of

economists, not really questioned until "Progress and

Poverty" was published, to slur over the nature of the

value of land, and practically to assume, what was indeed

the common assumption, that it was of the same origin as

the value attaching to such things as gold, wheat, hard-

ware, cotton goods or similar products of labor.

That it takes two to make an exchange, as certainly as

" it takes two to make a quarrel," is clear. But that value

in one person's hands does not, as is impliedly or expressly

taught in economic works, necessarily involve the existence

of value in the hands of others, may be seen by another

imaginative experiment :

Let us imagine some remote and as yet undiscovered

island, where men still live as in the Biblical account our

first parents lived before the Pall, taking their food from

never-failing trees, quenching their thirst from ample and

convenient springs, sleeping in the balmy air, and without

thought of clothing, even of aprons of fig-leaves. The

power of exerting labor they would of course possess, as

Adam and Eve possessed it from the first ; but of that

exertion itself and of the toil it involves, we may imagine

them as ignorant as Adam and Eve in their first estate are

supposed to have been. On that island there would clearly

be no value. Yet if valuable articles were brought there,

would they necessarily lose their value 1 Could they be

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parted with only by gift, and would there be no possibility

of exchanging them?

Imagine, now, a ship containing such merchandise as

would tempt the fancy of a primitive people to come in

sight of the island and cast anchor. Would exchange

between the ship's people and the islanders be impossible

because of the lack on the part of the islanders of anything

having value? By no means. If nothing else would

suffice, the offer of bright cloths and looking-glasses would

surely tempt the Eves, if it did not the Adams ; and though

never exerted before, the islanders would exert their power

of labor to fill the ship with fruit or nuts or shells, or

whatever else of the natural products of the island their

exertion could procure, or to pull her on the beach so that

she might be calked, or to fill and roll her water-casks.

There was nothing of value in the island before the ship

came. Yet the exchanges that would thus take place would

be the giving of value in return for value ; for on the part

of the islanders value that did not exist before would be

brought into existence by the conversion of their labor

power through exertion into wealth or services. There

would thus be what so many of our economists say is im-

possible, a general increase of values. Even if we suppose

the islanders to relapse into their former easy way of living

when their visitors sailed off, there would still remain on

the island, where there was no value before, some things

having value, and this value would attach to these things

until they were destroyed or so long as such desire as

would prompt any of the islanders to render labor in

exchange for them remained. On the other side, the value

that the ship would carry off would certainly be not less

than the value she contained on arrival, and in all proba-

bility would be much more.

Now the way thus illustrated is the way in which the

value that attaches to the greater number of valuable

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things originates. I do not mean merely to say that this

was the way of the first appearance of value among men,

but that it is the way in which the value that attaches to

what are properly articles of wealth now originates. I do

not mean merely to say, as Adam Smith said, that it was

"by labor that all the wealth of the world was originally

purchased." I mean to say that it is by labor that itris^now

purchased.

Nothing, indeed, can be clearer than this. Even in the

richest of civilized countries, the ultimate purchasers of

the greater mass of valuable things, are not those who have

in store valuable things that they can give in exchange.

The great body of the people in any civilized society con-

sist of what we call the working-class, who live almost

literally from hand to mouth, and who have in their pos-

session at any one time little, or practically nothing, of

value. Yet they are the purchasers of the great body of

articles of value. Where does the value which they thus

exchange for value which is already in concrete form come

from 1 Does it not come from the conversion of their labor

., power, through exertion, into value f Is not the exchange

v which is constantl^gaingjii^J^e exchange of tha potenti -

/ ality of labor, ov^aw labor powerljor labor power that by

TEaT transferhas already beenconverte d int o value 1 In

common phrase, they exchange then- labor for commodities.

How does this fact— the fact that the great body of val-

uable things pass into the hands of those who have no

value to give for them except as they make valuable what

before had no value, and are consumed, by being eaten,

drunk, burned up or worn out, by them— consort with the

theory that value is a relation of exchangeability between

valuable things, and that there can be no general increase

or decrease of values! Does it not utterly invalidate the

theory! Must there not be a constant increase of value

to make up for the constant destruction of value, and in

/

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spite of it, to permit such growth of aggregate values as

we see going on in progressive countries? And in times

when the ability to convert labor into values is checked by

what we call "want of employment" and great numbers

of workers are idle, is there not a clear lessening of the

sum of values, a general decrease in values, as compared

with the times when there is what we call " abundance of

employment," and the great majority of them are at work,

turning labor power through exertion into value 1

The truth is that current theories of value have resulted

from the efforts of intelligent men to mold into a sem-

blance of coherency teachings built upon fundamental

incoherencies. Let me point out what gives them plausi-

bility, the fallacy involved in the inclusion of labor as an

" other valuable thing/' while the real stress of the exami-

nation is laid upon the relative values of such things as

gold, wheat, hardware and cotton goods— things that are

products of labor. It is a fallacy which our habit of

speaking of the buying and selling and exchanging of

labor, and our habit of thinking of the value of labor as

we think of the value of gold or wheat or hardware or

cotton goods, conceals from attention, but which is in

reality a fallacy of the kind named by the old logicians

" the fallacy of undistributed middle."

Here we come to another instance of the care needed in

political economy in the use of words. By the word

"labor" we sometimes mean the power of laboring— as

when we speak of the exertion of labor, or of labor being

employed, or of labor being idle or wasting. Sometimes

we mean the act of laboring— as when we speak of the

irksomeness or toil of labor, or of the results or products

of labor. Sometimes we mean the results of laboring—

as is the case in most or all of the instances in which

we speak of buying, selling or exchanging labor— the

real thing bought, sold or exchanged being the results of

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laboring, that is to say, wealth or services. And sometimes,

again, we mean the persons who do labor or the persons

wh o have the power and the willingness to labor.

It is clear that labor in the first-mentioned sense of the

word, that of the power or ability of laboring, is not an

exchangeable thing and cannot come into any category of

values. It resides in the individual body and cannot be

taken out of that body and transferred to another, any

more than can sight or hearing, or wisdom or courage or

skill. I may avail myself of another's skill, courage or

wisdom, of his hearing or of his sight, by getting him to

exert them for my benefit. And so I may avail myself of

another's ability to labor by getting him to do me services,

or to produce things which I am to own. But the power

of laboring he cannot give, nor I receive. While there

are results of its expenditure that may be transferred,

the power itself is intransferable, and therefore unex-

changeable.

Now the failure to keep in mind these different senses

of the word labor, the failure to distribute the term, as

the logicians would say, operates to shut off inquiry as to

whether the cause of value is not to be found in labor.

For since in some senses labor is thought of as having

value in exchange, the term, without distinction as to its

various senses, is apt to pass in our minds into the category

of exchangeable things, with gold or wheat or hardware or

cotton goods, or " other products of labor ; " and thus the

question is unconsciously begged.

But, when we realize that, in whatever other sense of the

word we may say that labor is a valuable thing, we must

carefully exclude the sense of labor power, or ability to

labor, a confusion is cleared up which has made the search

for the true nature of what we call value in exchange a

fruitless " swinging round a circle." For since value does

not exist in labor power, but does appear wh'ef e'tEat power

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takes tangible form through exertion, the fundamental

relation of value must be a relation to exertio n.

But a relation ftTexertion in what sense! A rela-

tion to exertion positively, or a relation to exertion nega-

tively f

I exchange gold for silver, let us say. In this I give

something positively and receive something positively. I

get rid of gold and acquire silver. The other party to the x

exchange gets rid of silver and acquires gold. But when xS \

I exchange gold for exertion or toil, do I get rid of gold s

and acquire toil, and does he get rid of toil and acquire \

gold 1 Clearly not. No one wants exertion or toil j all of )

us want to get rid of it. It is not exertion in a positive /

sense which is the object of exchange, but exertion in a

negative sense ^not exerti on gi ven or jjmgosed^Jbait exer-

tio n avoided or sav e cfTor, to use the algebraic form, the

relation of the quality of value is not to plus-exertion, but

to minus-exertion. Value, in short, is equiv alent to the \*"• (

saving of exertion or toil, and the value of anything is"ffie

amount of toil which the possession of that thing willsave f .

the possessor, o r enable him, to use Adam Smith's phrase,"

lT to impose upon other people," through exchange. Thus,

it is not exchangeability that gives value; but value that

ffivftft ft^.hii^gfi^hjTTfj^ For since it is only by exertion

that human desires can be satisfied (those cravings or im-

pulses that can be satisfied without exertion not rising to

the point of desire) whatever will dispense its owner from

the toil and trouble of exertion in the satisfaction of desire

in that acquires exchangeability.

Let me put the proposition in another form :

The current theory is that it is when and because a thing

becomes exchangeable that it becomes valuable. My con-

tention is that the truth is just the reverse of this, and

it is when and because a thing becomes valuable that it

becomes exchangeable.

4-\*

„\ v - :^-V\*t \*0 L^ k V«H fit-

. /e ^ \* "U w^o •»

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It is not the toil and trouble which a thing hasj&sL that

gives it value. It may have cost much and yet be worth

nothing. It may have cost nothing and yet be worth

much. It is the toil and trouble that others are now

willing, directly or indirectly, to relieve the owner of, in

exchange for the" Hong, by giving him the advantage of

the results of exertion, while dispensing him of the toil

and trouble that are the necessary accompaniments of

exertion. ^/Whether I have obtained a diamond, for

f instance^ by y ears of hard toil or by merely stooping to

pick it up— a movement which can hardly be called an

exertion, since it is in itself but a gratification of curiosity

which does not involve irksomeness— has nothing what-

i ever to do with its value. That depends upon the amount

\ of toil and trouble that others willjuidergo for my benefit

^m e xchange f or it; or what amounts to the same thing,

whfcE they wilf dispense me of in the satisfaction of my

desire, by giving me things in exchange, for which others

will undergo toil and trouble.

That which may be had without the toil and trouble of

exertion has no value. That for which the desire to pos-

sess is not strong enough to prompt to the toil and trouble

of exertion has likewise no value. But everything having

value, has that value only when, where and to the degree

that its possession will, without exertion on the part of its

possessor, satisfy through exchange a desire that prompts

to exertion.

In other words, the value of a thing is the amount of

laboring or work that its possession will save to the

possessor.

Desire itself, which is the prompter to exertion, cannot

be measured, as the most recent school of pseudo-econo-

mists attempt vainly to measure it. It is a quality or

affection of the will or individual Ego, which, being in its

nature subjective, can have no objective measurement

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until it passes through action into the field of objective

existence. Even in the individual it is not a fixed quality

or affection, but resembles more the illumination produced

by a movable search-light, which, as it brings one object

in the landscape into focus, throws another into shade.

All that we can say of it is that it has a certain scale or

order of appearance, so that when the more primitive

desires that we call "wants" or "needs" slumber in sat-

isfaction, other desires appear; or as they are enkindled

again, these others disappear.

But desire impels to action, as what we call energy or

force impels to movement. And while we can no more

measure desire in itself than we can measure force in itself,

we can measure it in the same way that we measure energy

or force— by the resistance it will overcome. Now, while

the resistance to movement is inertia— probably resolvable

into gravitation and chemical affinities ; so the resistance

to the gratification of desire is the toil and trouble of exer-

tion. It is this that is expressed by and measured in

values.

To repeat : Since the desire for material satisfactions is

universal among men, and the only way in which these

satisfactions can be obtained from Nature is by exertion,

which men always seek to avoid, whatever will satisfy de-

sire without calling for exertion is for that reason desired

of itself, not for its own uses, but because it affords the

means of gratifying other desires, and thus becomes

exchangeable whenever the existence of others than its

owner makes exchange possible. Normally, at least, value

and exchangeability are thus always associated and seem-

ingly identical. But in the causal relationship, value

comes first. That is to say, it is not true, as economists

since the time of Adam Smith have erroneously taught,

that a thing is valuable because it is exchangeable. On

the contrary, it is exchangeable because it is valuable. Ex-

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change is in fact the mutual transfer of value. Of all

other qualities of things, value is the only quality of which

exchange takes note.

A little use of imaginative experiment will make it clear

that what we call value in exchange is in reality not depen-

dent on exchangeability, but may exist when exchange is

impossible.

A Robinson Crusoe during his period of isolation could

make no exchanges, for there was no one with whom he

could exchange, and it was only the hope of being some-

time discovered and relieved that could have prompted him

to take his pieces of eight ashore. Yet, as this hope faded

it is not true that his estimate of the different things he

possessed would be entirely based on their utility to him,

and that he would have no sense of the relation which we

call value in exchange. Even if the hope of being some-

time relieved had entirely disappeared from his thought,

something essentially the same as value in exchange would

be brought out in his mind by any question of getting or

saving one of two or more things. Of several things to

him equally useful, which he might find in the wreck of his

ship or on the shore line under conditions which would

enable him to secure but one ; or of several equally useful

to him, which were threatened by a deluge of rain or an

incursion of savages, it is evident that he would " set the

most store by" that which would represent to him the

greatest effort to replace. Thus, in a tropical island his

valuation of a quantity of flour, which he could replace only

by cultivating, gathering and pounding the grain, would

be much greater than that of an equal quantity of bananas,

which he might replace at the cost of plucking and carry,

ing them ; but on a more northern island this estimate of

relative value might be reversed.

And so all things which to get or retain would require

of him toil would come to assume in his mind a relation

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of value distinct from and independent of their usefulness,

a relation based on the greater or less degree of exertion

that their possession would enable bim to avoid in the

gratification of his desires.

It is this relation which lies at the bottom of value in

the economic sense, or value in exchange. In the last

analysis value is but an expression of exertion avoided.

To sum up :

Value in exchange, or value in the economic sense, is

worth in exertion. It is a quality attaching to the owner-

ship of things, of dispensing with the exertion necessary

to secure the satisfaction of desire, by inducing others to

take it. Things are valuable in proportion to the amount

of exertion which they will command in exchange, and

will exchange with each other in that proportion.

The value of a thing in any given time and place is the

largest amount of exertion that any one will render in

exchange for it. But as men always seek to gratify their

desires with the least exertion, this is the lowest amount

for which a similar thing can otherwise be obtained.

But while value means always the same quality— that

of dispensing with exertion in the satisfaction of desire

—yet there are various sources from which this quality

originates. These may be broadly divided into two— that

which originates in the toil and trouble involved in pro-

duction, and that which originates in obligation to undergo

toil and trouble for the benefit of another. The failure to '

note this difference in the sources of value is the cause of

great perplexity.

CHAPTER XIII.

THE DENOMINATOR OP VALUE.

SHOWING WHAT VALUE IS, AND ITS RELATIONS.

What value is— The test of real value— Value related only to human

desire— This perception at the bottom of the Austrian school-

But its measure must be objective— How cost of production acts

as a measure of value— Desire for similar things and for essential

things— Application of this principle— Its relation to land values.

VALUE in the economic sense or value in exchange is,

as we have seen, worth in exchange. It is a quality

attaching to the ownership of things, of dispensing with

the exertion necessary to secure the satisfaction of desire,

by inducing others to take it in return for them. Things

are valuable in proportion to the amount of exertion that

they will thus command, and will exchange with each other

in that proportion.

The value of a thing in any time and place is thus the

largest amount of exertion that any one will render in

exchange for it. And since men always seek to gratify

their desires with the least exertion this is, or always tends

to be, the lowest amount for which such a thing can other-

wise be obtained.

This of course is not to say that whatever anything may

exchange for is its value. In individual and especially in

unaccustomed transactions the point at which any par-

ticular exchange takes place may considerably vary. But

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that our idea of value assumes a normal point, and what

this point really is, may be seen in common speech. Thus

we frequently say of the exchange of a certain thing that

it brought less than its value, or that it brought more than

its value. Now in this, which we refer to as a real or true

value, differing from the assumption of value in the par-

ticular exchange, we mean something more definite than

customary or habitual value, for this, as in our times we

know, is subject in regard to particular things to consider-

able and not infrequent changes. What we really mean

by this real value, and what is its true test, we show in the

way we attempt to prove that a thing was exchanged at

more or less than its value. We say that a thing was ex-

changed at less than its value because some one else would

have given more for it. Or that a thing was exchanged at

more than its value because some one else would have given

the same thing for a less return. And so what we deem

the point of real value, or actual equivalence, we speak of

as market value, from the old idea of the'market or meet-

ing place of those who wish to make exchanges, where

competition or the higgling of the market brings out the

highest bidding or the lowest offering in transactions of

exchange. And when we wish to ascertain the exact value

of a thing we offer it at auction or in some other way sub-

ject it to competitive offers.

Thus I am justified in saying that the value of a thing

in any time and place is the largest amount of exertion

that any one will render in exchange for it j or to make

the estimate from the other side, that it is the smallest

amount of exertion for which any one will part with it in

exchange.

Value is thus an expression which, when used in its

proper economic sense of value in exchange, has no direct

relation to any intrinsic quality of external things, but

only to man's desires. Its essential element is subjective,

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not objective ; that is to say, lying in the mind or will of

man, and not lying in the nature of things external to the

human will or mind. There is no material test for value.

Whether a thing is valuable or not valuable, or what may

be the degree of its value, we cannot really tell by its size

or shape or color or smell, or any other material quality,

except so far as such investigations may enable us to infer

how other men may regard them. For the point of equiva-

lence or equation that we express or assume when we speak

of the value of a thing is a point where the desire to obtain

in one mind so counterbalances in its effect on action the

desire to retain in another mind that the thing itself may

pass in exchange from the possession of one man to the

possession of another with mutual willingness.

Now this fact that the perception of value springs from

a feeling of man, and has not at bottom any relation to the

external world— a fact that has been much ignored in the

teachings and expositions of accepted economists— is what

lies at the bottom of the grotesque confusions which, under

the name of the Austrian school of political economy, have

within recent years so easily captured the teachings of

pretty much all the universities and colleges in the English-

speaking world.

Vaguely feeling that there was something wrong in the

accepted theory of value, they have taken the truth that

value is not a quality of things but an affection of the

human mind towards things, and attempted at the risk of

fatal consequences to the ancient landmarks of English

speech to account for, classify and measure value through

what is and ever must remain the subjective— that is to

say, pertaining to the individual Ego.

The fault of all this is that it begins at the wrong end.

What is subjective is in itself incommunicable. A feel-

ing so long as it remains merely a feeling can be known

only to and can be measured only by him who feels it.

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It must come out in some way into the objective through

action before any one else can appreciate or in any way

measure it. Even if we ourselves may measure the strength

of a desire while it is as yet merely felt, we can make no

one else adequately understand it until it shows itself in

action.

Value has of course its origin in the feeling of desire.

But the only measure of desire it can afford is akin to the

rough and ready way of measuring sorrow which was pro-

posed at a funeral by the man who said : " I am sorry for

the widow to the amount of five dollars. How much are

the rest of you sorry V 7 Now, what value determines is

not how much a thing is desired, but how much any one is

willing to give for it; not desire in itself, but what the

elder economists have called effective demand— that is to

say, the desire to possess, accompanied by the ability and

willingness to give in return.

Thus it is that there is no measure of value among men

save competition or the higgling of the market, a matter

that might be worth the consideration of those amiable

reformers who so lightly propose to abolish competition.

It is never the amount of labor that has been exerted in

bringing a thing into being that determines its value, but

always the amount of labor that will be rendered in ex-

change for it. Nevertheless, we properly speak of the value

of certain things as being determined by the cost of pro-

duction. But the cost of production that we thus refer to

is not the expenditure of labor that has taken place in

producing the identical thing, but the expenditure of labor

that would now be required to produce a similar thing—

not what the thing itself has cost, but what such a thing

would now cost.

The desire to obtain, which renders men willing to

undergo exertion, is, save in rare cases, not the desire for

an identical thing, but the desire for a similar thing. Thus,

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a desire for wheat is not a desire for certain particular

grains of wheat ; but a desire for wheat generally, or for

wheat of a certain kind. So a desire for coats, or knives,

or drinking-glasses or so on, is, save in very rare cases, not

a desire for particular, identical things, but a desire for

similar things. Now, the value of a thing in any given

time and place is the largest amount of labor that any one

will render (or cause others to render) in exchange for it.

But as men always seek to gratify their desires with the

least exertion, this highest amount of labor which any one

will give for a similar thing in any time and place, tends

always to be the lowest amount for which such a thing

can in any other way be obtained.

Thus the point of equation between desire and satisfac-

tion, or as we usually say, between demand and supply,

tends in a case of things that can be produced by labor to

the cost of production— that is to say, not what the pro-

duction of the thing has cost, but the present cost of

producing a similar thing. Desire remaining, whatever

increases the amount of labor that must be expended to

obtain similar things by making them will thus tend to

increase the value of existing things j and whatever tends

to decrease the cost of obtaining similar things by making

them will tend to decrease the value of existing things.

But there are some cases in which the desire for a

product of labor is not a desire for a similar thing, but

for a particular and identical thing. Thus, when that

great genius and great toady, Sir Walter Scott, carried

oflf a wine-glass from which George IV. had drunk, it was

to satisfy a desire not for a similar glass, but for that

particular glass, which had been honored by the lips of

royalty. Where such a desire is felt by only one person

or one economic unit, as where I or my family may value

a chair or table or book which once belonged to some one

we loved, our valuation is analogous to value in use, and

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does not affect its economic or exchange value, except

perhaps as it might make ns loath to part with it at its

true exchange value. But where more than one person

or unit has this desire, which is the case where the posses-

sion of a particular article comes to gratify ostentation, it

acquires an exchange value which is not limited by the

cost of producing a similar thing. Thus, an original

picture of a dead master, or an original copy of an old

edition of a book, which identically cannot now be produced

by any amount of exertion, may have a value not limited

by the cost of production, and this may rise to any height

to which sentiment or ostentation may carry desire.

The cases I have here taken to illustrate the principle

have but small practical application, though they are con-

tinually called to attention, and any theory of value must

include them. But the principle itself has the widest and

most important applications, which steadily increase in

importance with the growth of civilization. The value that \

attaches to land with the growth of civilization is an J

example of the same principle which governs in the case (

of a picture by a Raphael or Rubens, or an Elgin marble. /

Land, which in the economic sense includes all the natural \

opportunities of life, has no cost of production. It was \

here before man came, and will be here, so far as we can )

see, after he has gone. It is not produced. It was created/

And it was created and still exists in such abundance as

even now far to exceed the disposition and power of man-

kind to use it. Land as land, or land generally— the

natural element necessary to human life and production-

has no more value than air as air. But land in special,

that is, land of a particular kind or in a particular locality,

may have a value such as that which may attach to a par-

ticular wine-glass or a particular picture or statue ; a value

which unchecked by the possibility of production has no

limit except the strength of the desire to possess it.

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This attaching of value to land in special— that is to say,

land in particular localities with respect to population-

is not merely a most striking feature in the progress of

modern civilization, but it is, as I shall hereafter show, a

consequence of civilization, lying entirely within the natu-

ral order, and furnishing perhaps the most conclusive

proof that the intent of that order is the equality of men.

If left by just municipal laws to its natural development,

the strength of the desire to use particular land can never

become the desire to use land generally, and can never rise

to the point of lowering wages by compelling workers to

give for the use of land any part of what is the natural

and just earnings of their labor. But where land is monop-

olized and the resort of population to unmonopolized

land is shut out either by legal restriction or social con-

ditions, then the desire to use particular land may be based

upon the desire to use land generally, or land the natural

element ; and its strength, measured in the only way in

which we can measure the strength of a desire, the willing-

ness to undergo toil and trouble for its gratification, may

become when pushed to full expression, nothing less than

the strength of the desire for life itself, for land is the

indispensable prerequisite to life, and " all that a man hath

will he give for his life."

But in every case the value of land, consisting in the

amount of exertion that can be commanded from those

who desire to use it by those who have the power of giving

. or refusing consent to its use, is in the nature of an obli-

gation to render service rather than in that of an exchange

of service.

CHAPTER XIV.

THE TWO SOURCES OP VALUE.

SHOWING THAT THERE IS A VALUE PROM PRODUCTION AND

ALSO A VALUE PROM OBLIGATION.

Value does not involve increase of wealth— Value of obligation—Of

enslavement— Economic definition of wealth impossible without

recognition of this difference in value— Smith's confusion and

results— Necessity of the distinction- Value from production and

value from obligation— Either gives the essential quality of com-

manding exertion— The obligation of debt— Other obligations-

Land values most important of all forms of value from obligation

—Property in land equivalent to property in men— Common mean-

ing of value in exchange— Real relation with exertion— Ultimate

exchangeability is for labor— Adam Smith right— Light thrown

by this theory of value.

TTTE now come to a point of much importance. For it

f? is to the failure to note what I wish in this chapter

to point out that the confusions that have so perplexed

the terms value and wealth in the study of political

economy have arisen.

It is usually, if not indeed invariably assumed in all

standard economic works that the conversion of labor

power through exertion into services or wealth is the only

way in which value originates.

Yet what we have already seen is enough to show us

that this cannot be so.

It is not the exertion that a thing has cost, in past time,

that gives it value, but the exertion that its possession will

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in f uturetime dispense with, for even the immediate is in

strictness future. Thus value may be created by mere

agreement to render exertion, or by the imposition of such

obstacles to the satisfaction of desire as will necessitate a

greater exertion for the attainment of the satisfaction. In

the same way, the value of some things may be increased,

or sometime perhaps produced, without the production of

real wealth j or even by the destruction of real wealth.

For instance : I with another may agree to exchange,

but consummate in the present but one side of the full

exchange, substituting for the other side an agreement or

^obligation to complete it in the future. That is to say, I

/ may give or receive things having present value in return

for an obligation to render labor or the results or repre-

sentatives of labor at some definite or indefinite future

time. Or, both of us may exchange similar obligations.

The obligations thus created may, and frequently do, at

once assume value and become exchangeable for exertion

or the results of exertion. Or, a government or joint-stock

company may issue obligations of the same kind, in the

form of bonds or stock, which may at once assume a value

dependent as in the case of an individual upon the strength

of the belief that the obligations will be faithfully re-

deemed, irrespective of any counter payment or obligation.

There is in all this no increase of wealth ; but there is a

creation of value— a value arising out of obligation and

dependent entirely upon expectation, but still a value— an

exchangeable quantity, the possession of which could com-

mand through exchange other valuable things.

Or, again : Suppose the discoverers of the Isle of Eden,

we have imagined, to have been of the same kidney as the

Spanish discoverers of America, and instead of tempting

the islanders to work for them by exciting their desire for

new satisfactions, had compelled them to work by whip-

ping, or killing them if they refused. The discoverers

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might thus have carried off, as the Spanish conquistadors

carried off, what readily, exchanging for exertion in other

parts of the world, would there have great value— not

merely precious metals or stones, woods or spices— but

even the natives themselves. For carried to any country

where the power to compel them to work was by municipal

law transferable, these human beings would have value,

just as the ability to compel their service in their native

island would have value.

Now in Individual Economy, which takes cognizance

only of the relations of the individual to other individuals,

there is no difference between these two kinds of value.

Whether an individual has the power of commanding

exertion from others because he has added to the general

stock, or simply because he holds the power of demanding

In either case he gets and they^Sv ^ \f

But in political economy, which is the economy of the

Society or the aggregate, there is a great difference. "Value

of the one kind— the value which constitutesjin addition \ \

to the common stock— involves an addition to the wealth '\*

of the community or aggregate, and thus is wealth in the

politico-economic sense. Value of the other kind— the

value which consists merely of the power of one individual/\*^

to demand exertion from another individual— adds nothing -

to the common stock, all it effects is a new distribution

of what already exists in the common stock, and in the

politico-economic sense, is not wealth at all.

In the development of political economy from Adam

Smith these two and totally different kinds of values have

been confused in one word. Smith started in by recog-

nizing as value that which added to wealth, but he after-

wards, and with seeming carelessness included as value that

which adds to the wealth of the individual, but adds

nothing whatever to the wealth of the community. This

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consorted with the common idea that the wealth of a com-

munity is the sum of the wealth of individuals, and enabled

all that has value to the individual to be included as po-

litico-economic wealth. It consorted as wealth with the

disposition of the wealthy class to give a moral sanction

to whatever was to them superiority, and has thus been

perpetuated by economist after economist.

But it was impossible to treat as one and the same

quality a value that added to the wealth of the community

and a value that did not, and yet to make a politico-eco-

nomic definition of wealth. This therefore has been the

point on which the political economy founded by Adam

Smith has been constantly at sea. It could not be a

political economy until it had defined wealth, and it

could not define wealth until it had recognized a distinction

.between two kinds of value.

This difficulty might have been avoided in the beginning

by giving to the two kinds of value separate names, but

the word value has so long been used for both, that the

best a science of political economy can do now, is to dis-

tinguish between value of the one kind and value of the

other kind.

This however it is necessary to attempt. The best thing

I can do is to distinguish value, not as one, but as of two

kinds.

By a clear distinction, the various ways in which value

may originate, embrace (1) the value which comes from,

the exertion of labor in such a way as to save future exer-

tion in obtaining the satisfaction of desire ; and, (2) the

value which comes from the acquisit ion of power on the

part of some men to command or compel^ xertionD n the

part of others, or, which is the same thing^f rom the im-

position of obstacles to the satisfaction of desire that

render more exertion necessary to the production of the

same satisfaction.

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?> r ^ ^ \*•

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Value arising in the first mode may be distinguished as

" value from production," and value arising in the second j

mode may be distinguished as " value from obligation "— (

for the word obligation is the best word I can think of I

to express everything which may requirq fthe rendering f:

of ^exertion with out the retur n of exertion V \*, " '

value in the sense^of exchange value, tne only sense in

which it can be properly used in political economy, since

this has now been fixed by usage, is one and the same

quality, just as the water that flows through the outlet of

the Nile or Mississippi is one and the same stream. But

as we distinguish the sources of these waters as the White

Nile and the Blue Nile, or as the Upper Mississippi, the

Missouri, the Ohio, etc., so we may distinguish as to origin,

between value from production and value from obligation.

The mere recognition that there is such a difference in the

origins of value would of itself do much to extricate po-

litical economy from the utter maze into which a century

of cultivation has brought it in the closing years of the

nineteenth century.

But while making this distinction it must be remembered

that the essential character of value is always that of equiva-

lence to exertion in the satisfaction of desire. The value of

a thing, in short, is the amount of toil and trouble which it

will save to the possessor (as in the case of a Crusoe), or

(as is the usual case) others may be willing to undertake in

exchange for it. This is not necessarily the toil and trouble

which the purchaser will agree in his own person to undergo,

but the toil and trouble which he had power to command

or to induce others to undergo, and of which he can thus

dispense the seller in the attainment of his desire. No

matter how this quality attaches to them, whether by value

from production, or by value from obligation, things have

value when, so long, and so far, as they will purchase ex-

emption from toil and trouble in the attainment of desire.

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That "debt is slavery n is not merely a metaphorical

expression. It is literally true in this, that debt involves,

though it may be in limited degree, the same obligation of

rendering exertion without return as does slavery. When

under the form of exchange I receive services or commod-

ities from another, asking him to forego the receipt on his

part of what I should by the terms, expressed or implied,

of our exchange, receive in return from him, I assume an

obligation, though probably to a limited extent and with

limited sanctions, to render to him labor, or the results of

labor, without, so far as it goes, any return on his part.

Such a debt may be a mere debt of conscience, which he

may have no means of proving, or have no legal means of

collecting, even if he could prove it ; or it may be a mere

debt of honor, which is the name we give to debt held

morally binding, but which the municipal law may refuse

to help us to collect j or it may be witnessed by other per-

sons or writings, or by the assignment of releases of specific

things as in mortgages j or by the agreements of others to

pay if I do not, as is the case of negotiable notes. But

while all this may affect the ease with which I may dispose

of my obligation to another and the value I can get in re-

turn for it, the essential principle of these different forms

of obligation is the same. It is the same in so far as it

goes as the obligation to render exertion, as that which

gave their exchangeable value to slaves, and which is in

fact the type of all debts of obligation.

The term " value from obligation " will at once be recog-

nized as including an immense body of the values dealt

with by banks, stock exchanges, trust companies, or held

by private individuals, and which are commonly known as

obligations or securities. But it may require a little re-

flection to see how much else there is having value which

is really value from obligation. All debts and claims of

whatever kind, whether they be what the lawyers call

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choses in action or mere debts of honor or good faith un-

recognized by law, all special privileges and franchises,

patents, and the beneficial interests known as good-will, in

so far as they have value, have it as value from obligation.

The value of slaves wherever slavery exists— and only a few

years ago the market value of slaves in the United States

was estimated in round numbers at three thousand million

dollars—is clearly a value of obligation, springing not from

production, but from the obligation imposed on the slave

to work for the master. So too with the value of public

pensions and the incumbency of profitable offices and

places, when they are made matters of bargain and sale,

which is in some cases yet done in England and which is

I fear to a still larger extent yet done in the United States,

though surreptitiously, as it is habitually done in China

where "civil service reform " has for centuries prevailed.

In English newspapers one may yet occasionally read

advertisements for the sale of advowsons for the cure of

souls. The exchange value that they have is of course

from obligation. Up to a few years ago there were similar

advertisements for the sale of commissions in the army

and navy. These are but survivals of an earlier and per-

haps clearer type of nomenclature. The value they have

is clearly a value from obligation. And the same thing is

true under more modern forms, of rights given by protec-

tive duties, by civil-service regulations, and franchises, and

patents, and forms of good-will. All these things have

value only as " value from obligation."

Among the valuable assessments of the large landholders

of feudal times was the right of holding markets, of keep-

ing dove-cotes, of succeeding in certain instances to the

property of tenants; or of grinding grain, of coining

money, of collecting floatwood, etc. The values of these

were clearly " values from obligation." But that they have

passed insensibly into the single right of exacting a rent

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for the use of land is proof that the value of this right—

the right, as it is called, of private ownership of land— is

in reality a " value from obligation."

These ways of giving an additional value to things al-

ready in existence or of bringing out value in things which

may have no more tangible existence than an act of mind,

a verbal promise, a paper note, an act of legislature, a de-

cision of court or a common habit or custom, are clearly

of totally different origin and nature from the ways in

which value originates by the expenditure of labor in the

production of wealth or services, and readily to distinguish

them we need a classifying name. It is because the word

obligation best consorts with existing customs, and best

expresses the common character of the element distinct

from production that gives value, that I speak of value

from obligation as distinct from value from production.

For the common character of all that I am here speaking

of is that their possession enables the possessor to com-

mand or compel others to render exertion without any

return of exertion on his part to them. This power to

command labor without the return of labor constitutes on

the other side an obligation, and it is this that gives value.

Thus a verbal promise, a bank-account, a promissory

note, or any other instrument of indebtedness, an annuity,

an insurance policy, things which frequently have value,

derive that value from the fact that they express an obli-

gation fixed, unfixed or merely contingent to render exer-

tion to the holder or assignee without return. Thus value

may be increased sometimes even by the destruction of

valuable things, as the Dutch East India Company kept

up the value of spices in Europe by destroying great

quantities of spices in the islands where they grew; and

as our " protective " tariff makes certain things more valu-

able in the United States than they would otherwise be,

by imposing fines and penalties on bringing them into the

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country ; or as strikes, as we have recently seen in Aus-

tralia, in England and in America, may increase the value

of coal or other products ; or as a drought, which causes

great loss of the corn crop over wide areas, may increase

the value of corn, or as a war which lessens the supply of

cotton in England may increase the value of cotton there.

All such additions to value are of " value from obliga-

tion," which can no more affect the general stock than can

what Jack wins from Tom in a game of cards.

But the most important of these additions to value

which do not increase wealth are unquestionably to be

found in land value, the form of value from obligation

which in the progress of mankind to civilization tends

most rapidly to increase, and which has already in the

modern world assumed perhaps more than the relative

importance that slavery once held in the ancient world.

In an England or a United States, or any other highly

civilized country, this importance is already so great that

the selling value of the land is the selling value of all im-

provements and personal property, in short of all " value

from production;" while it is the one thing which the

natural progress of society, in short all improvements of

whatever kind, tend constantly to augment. Yet this

value is not a part of wealth in the economic sense. It

can have, so far as the individual is concerned, none of

the moral sanctions of property. It rightfully belongs to

no individual or individuals but to the community itself.

Considered by the vulgar as the highest form and very

type of wealth, land in reality is to the political economist

not wealth at all.

And this is the reason that neither by Adam Smith nor

by those who succeeded him, however much they may have

differed as to tweedledum and tweedledee, has the true

character and dual nature of value been realized. For to

recognize that is to come to the conclusion of the Physio-

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crate that, in the economic sense, land is not wealth. And

this involves a revolution, albeit to society a beneficent

revolution, greater than the world has yet seen.

Yet it is perfectly clear. Let us go back in thought to

our imaginary Isle of Eden, and suppose that its dis-

coverers, instead of making merchandise of the inhabitants

themselves, had done at once what the American mission-

aries have done gradually in the Hawaiian Islands— made

themselves owners of the land of the island, and with

power to enforce their claim by punishment, had forbidden

any islander to pluck of a tree or drink of a spring with-

out their permission. Land before valueless would at once

become valuable, for the islanders having nothing else to

give would be compelled to render exertion, or the prod-

ucts of exertion, for the privilege of continuing in life.

/ And that this quality attaching to things, of purchasing

by exchange exemption from the toil and trouble in the

attainment of desire, is what is commonly meant by value

in exchange a little analysis will show. " The value of a

thing is just what you can get for it," is a saying, current

\ among men who have never bothered their heads with po-

litical economy, which concisely expresses the conception

of value. A thing has no value for which nothing can be

got in exchange, and it has value when, so long as, and to

the degree that, it may be exchanged for some other thing

or things.

But all things having value cannot be exchanged for

all other things having value. I could not, for instance,

exchange a million dollars' worth of cheese-cakes for a

building worth a million dollars. What then is the one

thing for which all things having value must directly or

indirectly exchange ? We are apt to ignore that question,

because we habitually think of value in terms of money,

which serves us as a flux for the exchange of all values,

and because we are apt to think of labor as a valuable

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thing, without distinguishing the different senses in which

we use the word. But if we press the question, we see

that everything having value must be ultimately exchange

able into human exertion, and that it is in this that its

value consists. There are some valuable things that cannot

readily, and some that it is practically impossible to ex-

change for exertion— such, for instance, as an equatorial

telescope, a locomotive, a steamship, a promissory note or

bond of large amount, or a bank-note or greenback of high

denomination. But they derive their value from the fact

that they can be exchanged for things that can in turn be

exchanged for exertion.

Money itself derives its power of serving as a medium

or flux of exchanges from the fact that it is of all things

that which is most readily exchangeable for exertion, and

it utterly loses value when it ceases to be exchangeable for

exertion. This we have seen in the United States in the

case of the Continental currency, in the case of the notes

of broken State banks and in the case of the Confederate

currency. Thus value ends as it begins, with the power

of commanding exertion, and is always measured by that

power.

Again, as before, we find that Adam Smith was right in

the clear though evanescent gleam that he got of the nature

of value. Value in the economic sense is not a mere rela-

tion of exchangeability between valuable things, which,

save relatively, as between one particular thing and an-

other particular thing, can neither increase nor diminish.

The real relation of value is with human exertion, or rather

with the toil and trouble that are the inseparable adjuncts

of exertion ; and the true and absolute value of anything,

that which makes it comparable with that of any or all

other things in all times and places, is the difficulty or ease

of acquiring it. That is of high value which is hard to

get ; that is of low value which is easy to get ; while that

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which may be had without exertion and that which no one

will undergo exertion to get are of no value at all. Cheap-

ness or low value is the result of abundance ; dearness or

high value the result of scarcity. The one means that the

satisfactions of desire may be obtained with little effort,

the other that they can be obtained only with much effort.

Thus there may be general increase or decrease of value as

clearly and as truly as there may be general scarcity or

general abundance.

The recognition of this simple theory of value will enable

us as we proceed to clear up with ease and certainty many

points which have perplexed the economists who have

ignored it, and are to their students stumbling-blocks,

which make them doubt whether any real science of

political economy is possible. In its light all the complex

phenomena of value and exchange become clear, and are

seen to be but illustrations of that fundamental law of

the human mind which impels men to seek the gratifica-

tion of their desires with the least exertion.

Whatever increases the obstacles, natural or artificial,

to the gratification of desire on the part of the ultimate

users or consumers of things, thus compelling them to ex-

pend more exertion or undergo more toil and trouble to

obtain those things, i ncreases their value ; jrhatever lessens

the exertion that must be expended or the toil and trouble

that must be undergone, decreases value. Thus, wars,

tariffs, pirates, public insecurity, monopolies, taxes and

restrictions of all kinds, which render more difficult the

satisfaction of the desire for certain things, increase their

value, and discoveries, inventions and improvements which

lessen the exertion required for bringing things to the

satisfaction of desire, lessen their value.

Here we may see at once the clear solution of a ques-

tion which has perplexed and still perplexes many minds

—the question whether the artificial increase of values by

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governmental restriction is or is not in the interest of the

community. When we regard value as a simple relation

of exchangeability between exchangeable things, there may

seem room for debate. But when we see that its relation

is to the toil and trouble which must be undergone by ulti-

mate users in the satisfaction of desire, there is no room

for debate. Scarcity may be at times to the relative in-

terest of the few ; but abundance is always to the general

interest.

CHAPTER XV.

THE MEANING OP WEALTH IN POLITICAL

ECONOMY.

SHOWING HOW VALUE FROM PRODUCTION IS WEALTH IN

POLITICAL ECONOMY.

Wealth as fixed in "Progress and Poverty "— Course of the scholastic

political economy— The reverse method of this work— The con-

clusion the same— Reason of the disposition to include all value

as wealth— Metaphorical meanings— Bull and pun— Metaphor-

ical meaning of wealth— Its core meaning— Its use to express

exchangeability— Similar use of money— Ordinary core meaning

the proper meaning of wealth— Its use in individual economy and

in political economy— What is meant by increase of wealth-

Wealth and labor— Its factors nature and man— Wealth their

resultant— Of Adam Smith— Banger of carrying into political

economy a meaning proper in individual economy— Example of

"money "—"Actual wealth " and " relative wealth »— "Value from

production" and "value from obligation w — The English tongue

has no single word for an article of wealth— Of " commodities "

—Of "goods"— Why there is no singular in English— The at-

tempt to form one by dropping the " 8 " and Anglo-German jargon.

WE are now in a position to fix the meaning of

wealth as an economic term.

In " Progress and Poverty," which I desired to make

as brief as possible, and where my main purpose was to

fix the meaning of the word capital, I fixed the meaning

of the word wealth directly, as "natural products so

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secured, moved, combined or altered by human labor as to

fit them for human satisfaction. 7 ' This also was the way

in which, as I understand it, the Physiocrats, who came

substantially to the same conclusion, had defined it. But

the scholastic political economists, instead of either dis-

covering for themselves or taking my hint, continued on

the road by which Adam Smith had avoided saying finally

what wealth was. They continued to discuss the word

value, so confused in its various senses, in such manner

as to give not only no conclusion as to the real meaning of

wealth, but finally to actually destroy political economy

itself.

Thus the confusion into which, after more than a hun-

dred years of cultivation, the teaching of political econ-

omy has fallen as to the meaning of its principal term—a

confusion which is in reality even greater than in ordinary

speech, that makes no pretensions to exactness in the use

of the word— is clearly due to confusions as to the meaning

of the term value. The scholastic development of po-

litical economy since Adam Smith has not only confused

the distinction between value in use and value in exchange,

but it has tended to cover up the vital distinction between]

the two sources of value in exchange ; that originating in /

the stori ng up of labor, and that originating in what I have i

c alled obligation — often power, devoid of moral right, to

com pel the expenditure of labo r: —- - .

T?Ms is the condition in which the orthodox political '

economy now is. It has not only not discovered what its

principal term, wealth in the economic sense, really is, but

it has so confounded other terms as to give little light on

the search.

In this work therefore I have adopted a different method

from that employed in " Progress and Poverty." Finding .

it necessary to discuss the meaning of the term value in

a fuller way than I had before done, and seeing that in

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the current political economy the only consensus of opinion

was that all wealth had value, I adopted a method the

reverse of that of " Progress and Poverty," and instead of

beginning with wealth, began with value. Commencing

with Adam Smith and inquiring what was meant by value,

I found that in value were included two absolutely differ-

ent things, namely, the quality of value from production,

and the quality of value from obligation, one of which

kinds of value resulted in wealth and the other of which

did not. Now, value from production, which is the only

kind of value which gives wealth, consists in application

of labor in the production of wealth which adds to the

common stoct of wealth. Wealth, therefore, in political

economy consists in natural products so secured, moved,

combined or altered by human labor as to fit them for

human satisfaction. Value from obligation, on the other

hand, though a most important element of value, does not

result in increase in the common stock, or in the produc-

tion of wealth. It has nothing whatever to do with the

production of wealth, but only with the distribution of

wealth, and its proper place is under that heading.

Thus in the way I have in this work adopted, that of

proceeding analytically from value, we come to precisely

the same conclusion as that reached in "Progress and

Poverty," where we proceeded directly and by deduction

—we come to the result that wealth in the politico-eco-

nomic sense consists in natural substances that have been

so secured, moved, combined or altered by human labor

as to fit them for human satisfaction. Such substances are

wealth and always have value. When they cease to have

value they of course cease to be wealth.

Thus, proceeding by the way adopted in this work, we

reach precisely the same conclusion as to wealth as by the

way adopted in my previous work. The advantages of

adopting this mode here are that a conclusion reached by

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the methods familiar to the students of the scholastic po-

litical economy can with difficulty be ignored by them, and

that in going in this way over the subject of value much

has been seen both for the present and the future that was

necessary to a full treatise on the science of political econ-

omy and that may elsewhere be dispensed with.

I wish therefore particularly to call the attention of the

reader to what has been here done. Not that I hope that

anything that I can do, unaccompanied or unsucceeded by

a great change in general conditions, can long keep down

the disposition which this tendency of political economy

that I have alluded to shows.

As there is a reason for everything, in the mental world

as truly as in the physical world, so there is a reason for

this disposition to include in the term wealth everything

that has value, without regard to the origin of that value.

It springs at bottom from the desire on the part of those

who dominate the accredited organs of education and

opinion (who wherever there is inequality in the distribu-

tion of wealth are necessarily the wealthy class) to give to

the mere legal right of property the same moral sanction

that justly attaches to the natural right of property, or at

the very least to ignore anything that would show that

the recognition of a legal right may involve the denial of

a moral right. As the defenders of chattel slavery, and

those who did not wish to offend the slave power, not long

since dominant in the United States, were obliged to stop

their examination of ownership with purchase, assuming

that the purchase of a slave carried with it the same right

of ownership as did the purchase of a mule or of a bale of

cotton, so those who would defend the industrial slavery

of to-day, or at least not offend the wealth power, are

obliged to stop their examination of the nature of wealth

with value, assuming that everything that has value is

therefore wealth, thus involving themselves and leaving

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their students in a fog of confusions as to the nature of

the thing whose laws they profess to examine.

But to whomsoever wishes really to understand political

economy there is now no difficulty in coming to a clear and

precise determination of the nature of wealth, whichever

way he may elect to begin.

The power of the imagination, nay even that power of

recognizing likeness and unlikeness, in which perception

itself consists, always expands by metaphor the primary

or fundamental meaning of a word in common use, and it

is by reason of this, even more than by the adoption of

new root words, that a language grows in copiousness,

flexibility and beauty. Thus such words as light and dark-

ness, sunshine and rain, to eat and to drink, are put by

metaphor and simile to a multiplicity of uses in common

speech. We speak of the light of hope, or the light that

beats upon a throne, or the light of events ; of a dark pur-

pose, or a dark saying, or a darkened intellect; of the

sunshine of love or prosperity, or of a sunny countenance ;

of a rain of bullets, or a rain of misfortunes, or a rain of

questions or epithets ; of a ship eating into the wind, of

rust eating iron, or of a man eating his own words ; of a

sword drinking blood, or of a lover drinking in the looks,

words or actions of a loved one. But such use of words

in common speech causes no confusion as to their original

and fundamental meaning, the core from which all figura-

tive use of them proceeds. The broad humor of the Irish

bull comes from our prompt recognition of the difference

between core meaning and figurative meaning; and the

offensiveness of the deliberate pun, from the impertinence

of the implied assumption that we will not quickly recog-

nize this difference.

Now, in common speech the word wealth takes on

such figurative meanings as do all other words in common

use. We speak of the night's wealth of stars, of a poet's

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wealth of imagery, of an orator's wealth of expression, of

a woman's wealth of hair, of a student's wealth of know-

ledge, or of the wealth of resource of a general, a states-

man or an inventor ; of a porcupine's wealth of quills or a

bear's wealth of fur. But such uses of the word wealth

impose no difficulty. They are merely metaphorical ex-

pressions of abundance. So, too, it is with what is called

natural wealth. We speak of rich ore and poor ore, of

rich land and poor land, of a naturally rich country and a

naturally poor country ; of a wealth of forest or mines or

fisheries ; of a wealth of lakes or rivers, or a wealth of

beautiful scenery. But where anything more than abun-

dance is expressed in such uses of the word wealth it

is that of natural opportunity, or that of utility, or value

in use, with which in its fundamental sense wealth has

nothing to do. With that fundamental or core meaning

of the word wealth, from which all such figurative uses

spring, is inextricably blended the idea of human produc-

tion. Whatever exists without man's agency, was here

before he came, and will, so far as we can see, be here after

he is gone ; or whatever is included in man himself, how-

ever well the figurative use of the word wealth may serve

to express its abundance or usefulness, cannot be wealth

in the fundamental or core meaning of the word.

So, too, is the still more common use of the word

wealth to express the power of exchangeability or of

commanding exertion. As commonly used the word

wealth when applied to the possessions of an individual

includes all purchasing power, and is indeed in most cases

synonymous with exchange value. But this use of the

word is really representative, like the similar use we make

of the word money. We say that a man has so much

money, or so many dollars or pounds, without meaning,

or being understood as meaning, that he has in his posses-

sion so much actual money. We mean only that he has

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what would exchange for so much money. Such repre-

sentative use of the word money or of the terms of

money does not, in every-day affairs, in the least confuse

us as to the real meaning of the word. If asked to explain

what money is, no one would think of saying that sheep

and ships, and lands and houses are money, although he

is in the constant habit of speaking of their possession as

the possession of money.

So it is with the common use of the word wealth.

Many things are commonly spoken of as wealth which we

all know, in the true and fundamental meaning of the

word, are not wealth at all.

If you take an ordinarily intelligent man whose powers

of analysis have not been muddled by what the colleges

call the teaching of political economy, and ask him what

he understands at bottom by wealth, it will be found at

last, though it may require repeated questioning to elimi-

nate metaphor and representation, that the kernel of his

idea of wealth is that of natural substances or products so

changed in place, form or combination by the exertion of

human labor as to fit them or fit them better for the satis-

faction of human desire.

This, indeed, is the true meaning of wealth, the meaning

of what I have called "value from production." It is the

meaning to which in political economy the word wealth

must be carefully restricted. For political economy is the

economy of communities or nations. In the economy of

individuals, to which our ordinary speech usually refers,

the word wealth is commonly applied to anything having

an exchange value as between individuals. But when

used as a term of political economy the word wealth

must be limited to a much more definite meaning. Many

things are commonly spoken of as wealth in the hands of

the individual, which in taking account of collective or

general wealth cannot be included. Such things having

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exchange value, are commonly spoken of as wealth, since

as between individuals or between sets of individuals they

represent the power of obtaining wealth. But they are

not really wealth, inasmuch as their increase or decrease

does not affect the sum of wealth. Such are bonds, mort-

gages, promissory notes, bank-bills, or other stipulations

for the transfer of wealth. Such are franchises, which

represent special privileges, accorded to some and denied

to others. Such were slaves, whose value represented

merely the power of one class to appropriate the earnings

of another class. Such are lands or other natural oppor-

tunities, the value of which results from the acknowledg-

ment in favor of certain persons of an exclusive legal right

to their use, and the profit of their use, and which repre-

sents only the power thus given to the mere owner to de-

mand a share of the wealth produced by use. Increase in

the value of bonds, mortgages, notes or bank-bills cannot

increase the wealth of a community that includes as well

those who promise to pay as those who are entitled to re-

ceive. Increase in the value of franchises cannot increase

the wealth of a community that includes those who are

denied special privileges as well as those who are accorded

them. The enslavement of a part of their number could

not increase the wealth of a people, for more than the en-

slavers gained the enslaved would lose. Increase in land

values does not represent increase in the common wealth,

for what landowners gain by higher prices the tenants or

ultimate users, who must pay them, are deprived of. And

all this value which, in common thought and speech, in

legislation and law, is undistinguished from wealth, could,

without the destruction or consumption of anything more

than a few drops of ink and a piece of paper, be utterly

annihilated. By enactment of the sovereign political

power debts might be canceled, franchises abolished or

taken by the state, slaves emancipated, and land returned

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to the general usufructuary ownership of the whole people,

without the aggregate wealth being diminished by the

value of a pinch of snuff, for what some would lose others

would gain. There would be no more destruction of

wealth than there was creation of wealth when Elizabeth

Tudor enriched her favorite courtiers by the grant of

monopolies or when Boris Godoonof made Russian peas-

ants merchantable property.

All articles of wealth have value. If they lose value,

they cease to be wealth. But all things having value are

not wealth, as is erroneously taught in current economic

works.\* Only such things can be wealth the production

of which increases and the destruction of which decreases

the aggregate of wealth. If we consider what these things

are, and what their nature is, we shall have no difficulty in

defining wealth.

When we speak of a community increasing in wealth—

as when we say that England has increased in wealth since

the accession of Victoria, or that California is now a

wealthier country than when it was a Mexican territory—

we do not mean to say that there is more land, or that the

natural powers of the land are greater, for the land is the

same and its natural powers are the same. Nor yet do

we mean that there are more people in the same area, for

when we wish to express that idea we speak of increase of

population. Nor yet do we mean that the debts or dues

owing by some of these people to others of their number

have increased. But we mean that there is an increase of

certain tangible things, having a value that comes from

production, such as buildings, cattle, tools, machinery,

\* See, for instance, a book used as a text-book in many of the

American and English colleges, the "Political Economy," by Francis

A. Walker, third edition, New York, 1888, Bee. 7. "Wealth com-

prises all articles of value and nothing else."

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agricultural and mineral products, manufactured goods,

ships, wagons, furniture and the like. The increase of

such things is an increase of wealth ; their decrease is a

lessening of wealth ; and the community that, in propor-

tion to its numbers, has most of such things is the wealthi-

est community. The common character of these things is

that of natural substances or products which have been

adapted by human labor to the satisfaction of human

desire.

Thus, wealth, as alone the term can be used in political

economy, consists of natural products that have been se-

cured, moved or combined, so as to fit them for the grati-

fication of human desires. It is, in other words, labor

impressed upon matter in such a way as to store up, as the

heat of the sun is stored up in coal, its power to minister

to human desires. Nothing that nature supplies to man

without the expenditure of labor is wealth ; nor yet does

the expenditure of labor result in wealth unless there is a

tangible product which retains the power of ministering

to desire ; nor yet again can man himself, nor any of his

powers, capabilities or acquirements, nor any obligation

to bestow labor or yield up the products of labor from one

to another, constitute any part of wealth. Nature and

man— or, in economic terminology, land and labor— are

the two necessary factors in the production of wealth.

Wealth is the resultant of their joint action.

And though Adam Smith nowhere formally defined

wealth, being mainly occupied with showing that it did

not consist exclusively in money or the precious metals ;

and though incidentally he fell into confusion in regard

to it, yet, as may be seen from the passages in the " Wealth

of Nations " before quoted\* this was his idea of wealth

when he came to look at it directly— the idea of products

\* Page 28.

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of labor, still retaining the power, impressed on them by

labor, of ministering to human desire.

Now in our common use of the word wealth we make

no distinction between the various kinds of things that

have value, as to the origin of that value, but class them

all together under the one word, wealth, speaking of the

sum of value which an individual may have at his com-

mand as his wealth, or sometimes as his money. This

metaphorical use of words is so embedded in common

speech that it would be hopeless to object to it in common

usage.

So far indeed as such use of the word wealth is con-

fined to the province of individual economy, the relations

of man to man, no harm whatever results. But as I said

in the introductory, of all the sciences, political economy is

that which comes closest to the thought of the masses of

men. All men living in society have some sort of political

economy, even though they do not recognize it by that

name ; and no matter how much they may profess igno-

rance, there is nothing as to which they less feel ignorance.

From this comes a danger that the loose use of a word in

common thought, where it does no harm, may be insensibly

transferred to thought on economic questions,«where it may

do great harm.

To take an example : Our common habit of estimating

possessions in terms of money does no harm whatever, so

long as it is confined to the sphere of individual affairs, in

which that use has grown up. When, sticking strictly to

the idea of the individual, we speak of a man owning or

making or obtaining so much money, we are perfectly well

understood, both in our own minds and by others, as

meaning not really money, but money's-worth. Yet, in

passing insensibly into the field of political economy, this

habit of speaking of money's-worth as money gave enor-

mous strength to what Adam Smith called the mercantile

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system of political economy, or what is now called the pro-

tective system— a system which has for centuries molded

the polity of nations of the European civilization, and

which, though now more than a hundred years after the

publication of the "Wealth of Nations," still continues

largely to mold it. Both on this account and on account

of other delusions which have taken root in the sphere of

economic thought from the habit of commonly using the

word money as synonymous with money's-worth, it is to

be wished there were some word or phrase in common use

that would express the distinction even when not absolutely

necessary, between actual money and money's-worth.

The occasional use of some such distinction in common

speech between wealth and wealth's- worth is even more

to be wished for. There is more danger of injurious con-

fusion from the insensible transference to the economic

sphere of the vague uses of the word wealth which

suffice for the individual sphere than is the case with simi-

lar common uses of the word money. And although the

scholastic political economists have been since the time

of Adam Smith largely alive to the confusions introduced

into political economy by treating money and money's-

worth as synonymous, and thus, so far as their influence

has reached, helped to guard against any danger from the

transference of the common use of the word money to

economic thought.; the sanction of the most respectable

colleges and universities is now given to uses of the eco-

nomic term wealth in a way that only conscious metaphor

permits in common speech.

Now since our metaphorical use of the word wealth in

the sense of wealth's-worth or value is so deeply rooted, it

is to be wished that in common speech, or at least wher-

ever common speech tends into the province of political

economy, as it continually does, we should distinguish

between true wealth and metaphorical or representative

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wealth, by the use of such words as "actual wealth "•

and " relative wealth/' meaning by the one that which is

actually wealth, as being a product of labor, and by the

other that which is not in itself wealth, although, possess-

ing value, it will exchange for wealth. Yet this would be

too much to try, and I think all may be had that it is

possible to gain by clearly showing, as I have tried to do,

that there are two kinds of value, one the value from pro-

duction that adds to wealth, and the other the value from

obligation that does not.

The sum of wealth in civilized society consists of things

of many different kinds having the common character of

holding in store, as it were, the ability of labor to minister

to desire. Yet there is in English no single word which

will clearly and definitely express the idea of an article of

wealth, nor has the usage of economists yet fairly adapted

any single word to that meaning as an economic term.

The word " commodity " will serve in many cases. But

while it would be hard to speak of such an article of

wealth as a railroad, a bridge, a massive building, or the

result of the plowing of a field as a commodity, there are

other things, usually accounted commodities, since they

have value in exchange, that are not properly articles of

wealth— such as lands, bonds, mortgages, franchises, etc.

The word "goods" as commonly used also comes near

to the idea of " articles of wealth." But it has connota-

tions if not limitations which make its meaning too narrow

fully to express the idea. And even if these were set

aside, as they are by a friend of mine, the wife of the

superintendent of a Western zoological garden, who,

coming to New York with her husband on the annual trip

\* With a certain justification which will be indicated in the next

chapter the lawyers have already appropriated the term "real estate,"

or real wealth, to what is in greater part not wealth at all.

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he makes to buy wild animals, jokingly speaks of " shop-

ping for "menagerie goods," there would still remain an

insuperable difficulty. " Goods," in the meaning of articles

of wealth, has in English no singular, and it is impossible

to make any, because the singular form of the same word

already holds the place with a different meaning. While

we cannot speak of "a single goods," still less can we

make a singular by dropping the " s." Even though usage

should confirm our speaking of the stock of a dealer in

wild animals as goods, it would be to destroy the well-

established use of the word to speak of a tiger, a hyena or

a cobra-de-capello as " a good."

In its most general use " good" is an adjective, express-

ing a quality which can be thought of only as an attribute

of a thing. As a noun, " good " does not mean a tangible

thing at all, but a state or condition or quality of being.

To try to force either a noun of accepted meaning or an

adjective of accepted meaning to do duty as the singular

of a noun of totally different meaning is to injure our Eng-

lish tongue, both as a vehicle of intelligible speech and an

instrument of precise thought.

To what confusions of thought as well as of speech the

attempt to force a singular of the word "goods" leads,

may be seen in recent university text-books of political

economy, such as that of Professor Marshall of Cambridge

University, England. Whoever tries to discover what they

mean by wealth will find himself struggling with a jargon

in which he will have more difficulty in recognizing his

mother tongue than in pigeon-English— a jargon of such

terms as " material goods " and " immaterial goods," " inter-

nal goods " and " external goods," " free goods " and " eco-

nomic goods," "personal goods" and "collective goods,"

"transferable goods" and "non-transferable goods," with

occasional bursts of such thunderous sound as " external-

material-transferable goods," "internal-non-transferable

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goods," "material-external-non-transferable goods" and

"personal-external- transferable goods/' with all their re-

spective singulars.

There is in English no singular of the word "goods,"

and the reason is that there is no need for one, since when

we want to express the idea of a single item or article in a

lot of goods, it is better to use the specific noun, and to

speak of a needle or an anchor, a ribbon or a blanket, as

the case may be ; and where I shall have occasion to speak

of a single item of wealth, without reference to kind, or

of the plural forms of the same idea, I shall speak of an

article or of articles of wealth.

CHAPTER XVI.

THE GENESIS OF WEALTH.

SHOWING HOW WEALTH ORIGINATES AND WHAT IT

ESSENTIALLY IS.

Reason of this inquiry— Wealth proceeds from exertion prompted

by desire, but all exertion does not result in wealth— Simple ex-

amples of action, and of action resulting in wealth— "Riding and

tying "—Sub-divisions of effort resulting in increments of wealth-

Wealth essentially a stored and transferable service— Of trans-

ferable service— The action of reason as natural, though not as

certain and quick as that of instinct— Wealth is service impressed

on matter— Must be objective and have tangible form.

IT is so all-important that we should know precisely and

certainly just what the chief factor of political econ-

omy, wealth, is, so that we may hereafter be in no doubt

whatever about it but may confidently reason from our

knowledge of its nature, that I propose to reinforce all that

has been said by showing just how wealth originates and

what in essence it actually is.

Wealth is a result of human exertion. But all human

exertion does not result in wealth. Not merely is there

failure and misadventure in the application of effort to

the production of wealth, but the production of wealth is

not the only purpose of human effort.

All human actions proceed from desire and have their

aim and end in the satisfaction of desire. But if we con-

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sider those actions of men which aim at material satisfac-

tions, we see that there is a distinction as to the way in

which satisfaction is sought. In some the satisfaction

sought is direct and immediate. In others it is indirect

and delayed.

To put myself in imagination in the position of my most

remote ancestor : I am moved by the desire we call hunger

or appetite, or it is aroused in me by the sight of a tree

laden with fruit. I pluck and eat the fruit, and am satis-

fied. Or I feel the desire called thirst, and stooping down

to a spring, I drink, and am again satisfied. Action and

satisfaction are in such cases confined to the same person,

and the connection between them is direct and immediate.

Or, my wife is with me. She feels the same desires ;

but is not tall enough to pluck the fruit and cannot as

well climb a tree or so readily stoop to the spring. So,

impelled by that primordial impulse that ordains that the

desire of the man shall be to the woman no less than the

desire of the woman to the man, I pluck fruit that she may

eat, and hollowing my hands give her to drink. In this

case the action is on the part of one person ; the satisfaction

proceeding from the action is obtained by another\* This

transfer of the direct result of action we speak of as a ser-

vice rendered and received. But the connection between

action and satisfaction is still direct and immediate, the

causal relation between the two having no intermediate

link.

These two examples are types of the ways in which

many of our actions attain satisfaction. These are the

ways in which in nearly all cases the animals satisfy their

desires. If we except the storing and hiving animals, and

\* There is of course on my part both a desire and a satisfaction—

a desire that her desires may be satisfied and a satisfaction when they

are satisfied. But these are secondary, the primary end and aim of

my action being the satisfaction of her desires.

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the almost accidental cases in which a predatory animal

kills a victim too large to be consumed at once, there is

nothing in their actions which goes beyond the direct

and immediate satisfaction of desire. The cow that has

browsed all day or the bird that has brought worms to

her young has done nothing towards the satisfaction of

desire that will recur to-morrow.

In such cases there is no suggestion of anything we

would call wealth. And in a world where all human de-

sires were satisfied in this direct and immediate way there

would be no wealth, no matter how great the activities of

man or how abundant the spontaneous offerings of nature

for the satisfaction of his desires.

But man is a reasoning being, who looks beyond the

immediate promptings of desire, and who adapts means

to ends. An animal would merely eat of the fruit or

drink of the spring to the full satisfaction of present de-

sire. But the man bethinking himself of the recurrence

of desire might, after satisfying his immediate desire,

carry off with him some of the fruit to insure a like satis-

faction on the morrow, or with a still longer prevision plant

its kernel with a view to satisfaction in future years. Or

with a view to the future satisfaction of thirst, he might

enlarge the spring or scoop out a vessel in which to carry

water, or dig a channel or construct a pipe. In such cases

action would be spent not in the direct and immediate

satisfaction of desire, but in the doing of what might in-

directly and in the future aid in satisfying desire.

In these cases is something which did not exist in the

previous cases, and which, save among the storing animals,

has nothing analogous to it in animal life\* This something

is wealth. It consists of natural substances or products,

so changed in place, form or combination by the exertion

\* Page 15.

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of human labor as better to fit them for the satisfaction

of human desires.

The essential character of wealth is that of the embodi-

ment or storage in material form of action aiming at the

satisfaction of desire, so that this action obtains a certain

permanence— a capability of remaining for a time as at

a stopping-place, whence it may be taken, either to yield

satisfaction to desire, or to be carried forward towards the

satisfaction of desire requiring yet more effort.

Where two men wishing to travel over a determined

road have between them but one horse, they frequently

" ride and tie." That is, John rides forward for a certain

space, leaving Jim to follow on foot. He then ties the

horse, pushing forward himself on foot. When Jim comes

up, he unties the horse, and in his turn rides forward for

some distance past John, and then tying the horse again

for John to take, pushes forward. And so on to the

journey's end. In this tying of the horse, so that he may

be taken and ridden forward again, is something analogous

to the way in which effort towards the satisfaction of desire

is fixed or tied up in wealth, from which it may be taken

for the gratification of desire, or for the purpose of being

carried forward by additional effort to a point where it

may serve to gratify desires requiring larger effort.

Thus, for the satisfaction of desire by the eating of bread,

effort must first be expended to grow the grain j then to

harvest it ; then to grind it into flour j then to bake the

flour into bread. At each of these stages (and they may

be sub-divided) there is an increment of wealth : that is to

say, some part of the effort required to reach the point of

yielding the final satisfaction has been accomplished, and

is tied or stored in concrete form, so that what has been

gained towards the final result may be utilized in the re-

maining stages of the process. Grain is an article of wealth

expressing the effort necessary in growing and harvesting,

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in such form that it may be from thence carried forward

to the satisfaction of desire, either by feeding it to do-

mestic animals, converting it into starch or alcohol, etc.,

or by turning it into flour and making bread. Flour again

is an article of wealth embodying the effort necessary to

the production of grain and the further effort required in

grinding; and bread an article of wealth embodying that

and the additional effort required in baking, in a form in

which consumption (in this case eating) will give the satis-

faction to desire of which bread is capable.

The idea of wealth cannot be reduced to that of satisfac-

tion, since, even when the intent and the result of the effort

is the satisfaction of a desire on the part of the expender

of the effort, there is necessarily an intermediate step, in

which the expended effort pauses or is stored up for an

interval in concrete form, and whence it may be released

not merely to satisfy the desire of the expender of the

effort, but that of another as well. If I pluck fruit to-day

for the satisfaction of to-morrow's appetite, the satisfaction

I then obtain when eating it would not be to me then the

direct result of an effort, but would yield me satisfaction

as the result of a service— a service of which I myself

would be the direct beneficiary, but still no less truly a

service than it would be in the case of my wife were she

the recipient of the satisfaction obtained by eating it.

Thus if we wish to bring the idea of wealth into a larger

generalization, the term of widest inclusiveness that we

could select would be a word which would express the idea

of service without limitation as to mode. The essential

idea of wealth is really that of service embodied in material

form, and all our enjoying of wealth, or exchanging of

wealth, or giving of wealth, or obtaining of wealth, is

really at bottom the enjoying or exchanging or giving

or obtaining of service, a word which involves the possi-

bility of distinction in person between the exertor of

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effort and the recipient of the final satisfaction, which is

its aim.

Service of some sort is essential to life, as it may well be

doubted if even in what the microscope may show us of

the lowest rounds of life's ladder there is anything that

comes into life and maintains life self-contained and self-

sufficing.

But the first and simplest form of service, that in which

the recipient gets directly the satisfaction brought about

by the action (and to which for the sake of distinction the

term service should be reserved), though it is capable of

being given, received and exchanged, is so capable only

within very narrow limits, since the action is spent in such

direct service and is over and done, whereas in action re-

sulting in wealth the action is not spent, but is stored or

tied in intermediate and material form, to be spent in

gratification when required. In direct service the power

of human action to satisfy human desire is like the exer-

tion of the power of electricity in the lightning-flash or

the spark of the Leyden jar. But in indirect service,

through the medium of wealth, the action remains unused

for a time in readily exchangeable form, whence it may be

called forth for use, as the power of electricity remains in

transportable and exchangeable form in the storage bat-

tery. So narrow indeed are the limits to the exchange of

direct service for direct service that though this sometimes

takes place even in our highest civilization, it is clear that

were it the only mode in which the action of one person

could be used in procuring satisfaction to another, nothing

like what we call civilization could exist, nor indeed do I

think that human life, in any stage in which we know it,

could continue.

I may black your boots with the understanding that you

shall in return shave my face, or gratify you by telling a

story on condition that you shall gratify me by singing a

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song, and the possibilities of such exchange may be some-

what widened by the understanding that though I black

your boots or tell you the story to-day, you may give me

the shave or sing the song at a future time, and do this

either for me or for any one whom I may present to re-

ceive in my place the promised service. But manifestly

the exchange of services that may take place in that way

is as nothing compared with the exchange that becomes

possible when service is embodied in concrete form in

wealth and may be passed from hand to hand and used

at will in the satisfaction of desire.

By this transmutation of labor into wealth the exchange

even of such services as cannot be transmuted into wealth,

since they must be rendered directly to the person, is

much facilitated. I desire, for instance, such service from

another as the carrying of a bag or message, or the con-

veyance of myself and luggage from one place to another

by cab, or stage, or train. There is no equivalent service on

my part desired by those for whose services I wish, nor if

there was could I stop to render it ; but by the interven-

tion of wealth the satisfaction of desire on both sides be-

comes possible, and the exchange is completed there and

then ; those from whom I obtain the service receiving from

me some article of wealth or representative of wealth which

they can in turn exchange either for wealth or for direct

services from others. It is thus, and only thus, that the

great body of exchanges of direct services that take place

in civilization becomes possible. Indeed, without wealth it

is difficult to see how men could avail themselves of one

another's powers to a much greater extent than do the

animals ; for that some animals exchange services, whoever

has watched monkeys reciprocally ridding each other of

fleas must have realized. Wealth is produced by man and

consequently there could be no wealth in the world until

after man came, just as bees must have preceded the honey

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which they make. Bat though man has no wealth-making

instinct as the bees have a honey-making instinct, yet

reason supplies its place, and man produces wealth just as

naturally and certainly as the bees make honey— so natu-

rally and so certainly that save in unnatural and temporary

conditions, men destitute of all forms of wealth have never

been found.

The essential idea of wealth being that of exertion im-

pressed on matter, or the power of rendering service stored

in concrete form, to talk of immaterial wealth as some

professed economists now talk, is as much a contradiction

in terms as it would be to talk of square circles or triangu-

lar squares. Nothing can be really an object of wealth

that is not tangible to the senses. Nor in the strict sense

of the term, can wealth include any natural substance, or

form, or power, unmodified by man's exertion, nor any

human power or capacity of exertion. To talk of natural

wealth, or to talk of human skill, knowledge or energy as

included in wealth is also a contradiction in terms.

CHAPTER XVII.

THE WEALTH THAT IS CALLED CAPITAL.

SHOWING WHAT THE WEALTH GALLED CAPITAL REALLY IS.

Capital is a part of wealth used indirectly to satisfy desire— Simple

illustration of fruit— Wealth permits storage of labor— The bull

and the man— Exertion and its higher powers— Personal qualities

cannot really be wealth or capital— The taboo and its modern

form— Common opinion of wealth and capital.

AS we have seen, all wealth is not devoted in consump-

J\\_ tion to the satisfaction of desire. Much of it is de-

voted to the production of other forms of wealth. That

part of wealth so devoted to the production of other wealth

is what is properly called capital

Capital is not a different thing from wealth. It is but

a part of wealth, differing from other wealth only in its

use, which is not directly to satisfy desire, but indirectly

to satisfy desire, by associating in the production of other

wealth.

I have spoken of wealth as the concrete result, the tan-

gible embodiment, by change wrought in material things,

of labor exerted towards the satisfaction of desire, without

as yet having reached or completely reached the point of

satisfaction, consumption.

Now, if this concrete result of labor, wealth, be used,

not in directly satisfying desire by consumption, but for

the purpose of obtaining more wealth, it becomes in that

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use what we term capital It is wealth devoted not to the

final use of wealth, the satisfaction of desires, but turned

aside, as it were, to pass through another stage, by which

more wealth may be secured and the final possibilities of

satisfaction increased.

To return to the simplest illustration given in the chap-

ter treating of wealth : The man who, finding a fruit-tree,

plucks and eats, spends his labor in the most direct and

primitive form, that of satisfying desire. His desire is for

the moment satisfied, but the labor he has exerted is all

spent; no result remains which will help to the future

satisfaction of desire.

But if not content with the satisfaction of present desire

he carries off some of the fruit to where he may in the

future more conveniently obtain it, he has in this gathered

fruit a concrete result of the expenditure of labor. His

labor expended in the gathering and removal of the fruit

which he retains has been as it were stored up, as energy

may be stored up by bending a bow or raising a stone, to

be utilized again at a future time. This stored-up labor,

concretely in this case — this gathered and transported fruit,

is wealth, and will retain this character of wealth or stored-

up labor, until it is (1) consumed, by being applied to the

gratification of desire ; or (2) destroyed, as by decay, the

ravages of insects or animals, or some other change which

takes away its potency of aiding in the satisfaction of

desire.

But the man who has thus obtained the possession of

wealth by gathering fruit and carrying it to a more con-

venient place may utilize its potency of ministering to

desire in different ways. Let us suppose him to divide

this wealth, this gathered fruit, into three portions. One

portion he will eat as he feels desire ; another portion he

will give to some other man in exchange for some other

form of wealth j and the third portion he will plant in order

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that in the future he may more readily and more abun-

dantly satisfy his desire for such fruit.

All three of these portions are alike wealth. But the

first portion is merely wealth ; its use is the final use of

all wealth— the satisfaction of desire. But the second and

third portions are not simply wealth— they are capital;

their use is in obtaining more or other wealth, which in its

turn may be used for the satisfaction of desire.

In other words, all capital is wealth ; but all wealth is

not capital. Capital is wealth applied to the production

of more or other wealth. It is stored labor, not applied

by one further step to the ultimate end and aim of all

labor, the satisfaction of desire ; but in the production of

more wealth to the further storage of labor.

By the storage of labor, which is involved in the pro-

duction of wealth, it becomes possible for man to change

the time in which a given exertion shall be utilized in the

satisfaction of desire, thus greatly increasing the sum of

satisfactions which given exertion may procure. And by

the using of wealth as capital, which is the calling of past

exertion to the service of present exertion, he is enabled

to concentrate exertion upon a given point, at a given time,

and to call in, as it were by the way, forces of nature which

far transcend in their power those which nature has put

at his use in the human frame.

To illustrate : Nature gives to the bull in his massive

skull and sharp horns a weapon of offense by which almost

the whole strength of his frame may be concentrated upon

one or two narrow points, thus utilizing the maximum of

force upon the minimum of resistance. She has given to

man no such weapon, for his clenched fist, the nearest

approach to the horns of the bull his bodily resources

furnish, is a far inferior weapon. But by turning his

labor into capital in the shape of a spear he is enabled on

occasion to concentrate nearly the whole force of his body

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upon an even narrower point than can the bull; and by

turning labor into capital in the form of a bow or crossbow

or sling, he may exert in one instant the force that can be

accumulated during longer intervals of time ; and finally,

as the result of many transmutations of labor into capital,

he can exert in the rifle chemical forces more potent than

any of the forces of which the energies of his own body

give him command.

Wealth, in short, is labor, which is raised to a higher or

second power, by being stored in concrete forms which

give it a certain measure of permanence, and thus permit

of its utilization to satisfy desire in other times or other

places. Capital is stored labor raised to a still higher or

third power by being used to aid labor in the production

of fresh wealth or of larger direct satisfactions of desire.

It is likewise to be observed that capital being a form

of wealth— that is to say, wealth used for the purpose of

aiding labor in the production of more wealth or greater

satisfactions— nothing can be capital that is not wealth,

and the term capital is subject to all the restrictions and

limitations that apply to the term wealth. Personal

qualities such as knowledge, skill, industry, are qualities

of labor and can never be properly treated as capital.

While in common speech it may be permissible to speak in

a metaphorical sense of such qualities as capital, meaning

thereby that they are susceptible of yielding to their pos-

sessors advantages akin to the advantages given by capital,

yet to transfer this metaphorical use of speech to eco-

nomic reasoning is, as many ponderous treatises will

testify, provocative of fundamental confusion.

And so, while the possession of slaves, of special privi-

leges, of public -debts, of mortgages, or promissory notes,

or other things of the kind I have spoken of in treating

of spurious wealth, may in the hands of the individual

possessor be equivalent to the possession of capital, they

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can constitute no part of real capital. All the public debts

of the world do not add in the slightest degree to the capi-

tal of the world— are incapable of aiding by one iota in the

production of wealth; while the greater part of what

figures in our official reports as capital invested in rail-

roads, etc., is in reality nothing but the inflation of expec-

tation. Capital in the economic sense is a tangible, material

thing— matter changed in place, form or condition, so as

to fit it for human uses, and applied to aiding labor in the

production of wealth or direct satisfactions.

To recur to our first simple illustration : A high chief

of the Hawaiian Islands in the old heathen days might, on

discovering a tree laden with fruit, have eaten his fill and

then laid the tree under taboo. He might thus have ob-

tained for himself something of the same advantages that

he would have obtained by carrying some of the fruit to

a more convenient place, for the inhibition upon others

might have led some of them, in return for the privilege

of taking it, to consent to bring him some. But the result

would not have been the same to the community as a

whole. His Laziness could have obtained the fruits of

labor, but only by virtually taking the labor of others.

And so the son of an Hawaiian missionary, who in the

legal ownership of land holds the Christian equivalent of

the old heathen power of taboo, may in return for the

privilege of permitting others to apply labor to his land

compel them to bring him wealth or capital. The posses-

sion of this power so far as he himself is concerned is

equivalent to the possession of wealth or capital, but not

so to the community. It implies no addition to the sum

of production or to the power of future production. It

implies merely a power of affecting the distribution of

what may already by other agencies be produced.

This fact that part of what is really wealth is capital,

and that what is not wealth is not capital, is so clear that

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it is really recognized in ordinary speech if we pay atten-

tion to the core, or original meaning of the words. As I

say in " Progress and Poverty," when speaking of capital

(Book I., Chapter II., " The Meaning of the Terms ") :

If the articles of actual wealth existing at a given time in a given

community were presented in situ to a dozen intelligent men who had

never read a line of political economy, it is doubtful if they would

differ in respect to a single item, as to whether it should be accounted

capital or not. Money which its owner holds for use in his business

or in speculation would be accounted capital; money set aside for

household or personal expenses would not. That part of a farmer's

crop held for sale or for seed, or to feed his help in part payment of

wages, would be accounted capital ; that held for the use of his own

family would not be. The horses and carriage of a hackman would

be classed as capital ; but an equipage kept for the pleasure of its

owner would not. So, no one would think of counting as capital

the false hair on the head of a woman, the cigar in the mouth of a

smoker, or the toy with which a child is playing ; but the stock of a

hair-dealer, of a tobacconist, or the keeper of a toy-store, would be

unhesitatingly set down as capital. A coat which a tailor had made

for sale would be accounted capital ; but not the coat he had made

for himself. Food in the possession of a hotel-keeper or a restaura-

teur would be accounted capital ; but not the food in the pantry of a

housewife, or in the lunch-basket of a workman. Pig-iron in the

hands of the smelter, or founder, or dealer, would be accounted capi-

tal ; but not the pig-iron used as ballast in the hold of a yacht. The

bellows of a blacksmith, the looms of a factory, would be capital ; but

not the sewing-machine of a woman who does only her own work ; a

building let for hire, or used for business or productive purposes ;

but not a homestead. In short, I think we should find that now, as

when Dr. Adam Smith wrote, " that part of a man's stock which he

expects to yield him a revenue is called his capital. 7 ' And, omitting

his unfortunate slip as to personal qualities, and qualifying some-

what his enumeration of money, it is doubtful if we could better list

the different articles of capital than did Adam Smith in the passage

which in the previous part of this chapter I have condensed.

Now, if, after having thus separated the wealth that is capital

from the wealth that is not capital, we look for the distinction

between the two classes, we shall not find it to be as to the charac-

ter, capabilities, or final destination of the things themselves, as has

been vainly attempted to draw it, but it seems to me that we shall

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find it to be as to whether they are or are not in the possession of the

consumer.\* Such articles of wealth as in themselves, in their uses,

or in their products, are yet to be exchanged are capital ; such articles

of wealth as are in the hands of the consumer are not capital. Hence,

if we define capital as wealth in course of exchange, understanding

exchange to include, not merely the passing from hand to hand, but

also such transmutations as occur when the reproductive or trans-

forming forces of nature are utilized for the increase of wealth, we

shall, I think, comprehend all the things that the general idea of

capital properly includes, and shut out all it does not. Under this

definition, it seems to me, for instance, will fall all such tools as are

really capital. For it is as to whether its services or uses are to be

exchanged or not which makes a tool an article of capital ; or merely

an article of wealth. Thus the lathe of a manufacturer used in

making things which are to be exchanged is capital ; while the lathe

kept by a gentleman is not. Thus wealth used in the construction

of a railroad, a public telegraph line, a stage-coach, a theater, a

hotel, etc., may be said to be placed in the course of exchange. The

exchange is not effected all at once, but little by little, with an

indefinite number of people. Yet there is an exchange, and the

"consumers" of the railroad, the telegraph line, the stage-coach,

theater or hotel, are not the owners, but the persons who from time

to time use them.

Nor is this definition inconsistent with the idea that capital is that

part of wealth devoted to production. It is too narrow an under-

standing of production which confines it merely to the making of

things. Production includes not merely the making of things, but

the bringing of them to the consumer. The merchant or storekeeper

is thus as truly a producer as is the manufacturer or farmer, and his

stock or capital is as much devoted to production as is theirs. But

it is not worth while now to dwell upon the functions of capital,

which we shall be better able to determine hereafter. Nor is the

\* Money may be said to be in the hands of the consumer when de-

voted to the procurement of gratification, as, though not in itself de-

voted to consumption, it represents wealth which is ; and thus what

in the previous paragraph I have given as the common classification

would be covered by this distinction, and would be substantially

correct. In speaking of money, in this connection, I am, of course,

speaking of coin, for although paper money may perform all the

functions of coin it is not wealth, and cannot therefore be capital.—

["Progress and Poverty, " Book I., Chapter n.]

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definition of capital I have suggested of any importance. I am not

writing a text-book, but only attempting to discover the laws which

control a great social problem, and if the reader has been led to form

a clear idea of what things are meant when we speak of capital my

purpose is served.

But before closing this digression let me call attention to what is

often forgotten— namely, that the terms "wealth," " capital, n "wages,"

and the like, as used in political economy, are abstract terms and that

nothing can be generally affirmed or denied of them that cannot be

affirmed or denied of the whole class of things they represent. The

failure to bear this in mind has led to much confusion of thought,

and permits fallacies, otherwise transparent, to pass for obvious

truths. Wealth being an abstract term, the idea of wealth, it must

be remembered, involves the idea of exchangeability. The posses-

sion of wealth to a certain amount is potentially the possession of

any or all species of wealth to that equivalent in exchange. And

consequently, so of capital.

CHAPTER XVin.

WHY POLITICAL ECONOMY CONSIDERS

ONLY WEALTH.

SHOWING THAT POLITICAL ECONOMY, AS PROPERLY STATED,

COVERS ALL THE RELATIONS OP MEN IN SOCIETY INTO

WHICH IT IS NECESSARY TO INQUIRE.

Political economy does not include all the exertions for the satis-

. faction of material desires ; but it does include the greater part of

them, and it is through value that the exchange of services for

services is made— Its duty and province.

POLITICAL economy has been defined, and I think

sufficiently, as " the science which treats of the na-

ture of wealth and the laws of its production and distri-

bution." The objcct-nonn or subject-matter of political

economy is therefore wealth. Now, as we have already

seen, wealth is not the only result of human exertion, nor

is it indeed the end and aim and final cause of human

exertion. That is not reached until wealth is spent or

consumed in satisfaction of desire. Wealth itself is in fact

only a halting-place or storehouse on the way between

prompting desire and final satisfaction ; a point at which

exertion, journeying towards the satisfaction of desire, re-

mains for a time stored up in concrete form, and from

whence it may be called forth to yield the satisfaction

which is its ultimate aim. And there are exertions aiming

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at the satisfaction of desire which do not pass through

the form of wealth at all.

Why then should political economy concern itself merely

with the production and distribution of wealth 1 Is not

the proper object of the science the production and distri-

bution of human satisfactions, and would not this defini-

tion, while including wealth, as material satisfactions

through material services, also include services that do

not take concrete formt

My answer is that I am not engaged in laying out a new

science, but only endeavoring to explain and straighten

out one that has been already much pursued. I wish,

therefore, as far as possible, to follow old roads and to use

accustomed terms, only swerving from them where they

clearly lead to error, of which there are indeed instances

enough.

And further than this, I think that reflection will show

that a consideration of the production and distribution of

wealth will include about all that there is any practical use

of considering of the production and distribution of satis-

factions.

While wealth does not include the sum of all exertions

for the satisfaction of material desires, it does include what

in a highly civilized society are the far greater part of them,

and is, as it were, the exchange point or clearing-house

where the transfer of services devoted not to the production

of wealth, but to the direct procurement of satisfactions, is

made.

Thus the barber, the singer, the physician, the dentist,

the actor, do not produce wealth, but direct satisfactions.

But not only are their efforts which are expended in this

way mainly devoted to the procurement of wealth, which

they get in exchange for their services, but any exchange

between themselves of services for services takes place

through the medium of wealth. That is to say, the actor

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does not pay his barber in recitations, or the singer pay

his physician in tones, nor yet reversely does the barber

or physician often pay in shaves or medical advice for the

satisfaction of hearing, acting or singing. Each habitually

exchanges his services for wealth or the representative of

wealth, and exchanges this for other services that he may

desire. Thus in civilized society it is only in rare and ex-

ceptional cases that there is any direct exchange of services

for services. To this we may add that the laws which

govern the production and distribution of services are

essentially the same as those which govern the production

and distribution of wealth. Thus we see that all the ends

of political economy may be reached if its inquiry be an

inquiry into the nature of wealth and the laws that govern

its production and distribution.

Political economy has a duty and a province of its own.

It is not and it cannot be the science of everything ; for

the day in which any one scheme can include the whole

province of human knowledge has long passed, and must

with the increase of human knowledge further recede.

Even to-day the science of politics, though closely related,

is, as I conceive it, clearly distinct from the science of

political economy, to say nothing of the almost numberless

other schemes which treat of man's relations to other

individuals and to the relations with which he is brought

in contact.

CHAPTER XIX.

MORAL CONFUSIONS AS TO WEALTH.

SHOWING HOW RICH AND POOR ARE CORRELATIVES, AND

WHY CHRIST SYMPATHIZED WITH THE POOR.

The legitimacy of wealth and the disposition to regard it as sordid

and mean— The really rich and the really poor— They are really

correlatives— The good sense of Christ's teaching.

AS to the desire for wealth in the politico-economic sense,

jljL as I have described it, there is nothing sordid or mean.

Wealth, on the contrary, is a perfectly legitimate object

of desire and effort. To obtain it is simply to increase the

powers of the individual over nature, and is prompted by

the same essentially noble desire as in any way to increase

our powers or our knowledge, or in any way to raise our-

selves above the level of the mere animal, from which we

start; while no one can increase his own wealth in the

common sense by increasing value from production, with-

out at the same time doing something for every one else.

How then is it that wealth is so widely regarded askance

by our moral perceptions ; that we are told that we should

not seek it, and hardly even use it; that the highest

expressions of our deepest knowledge look at it so con-

temptuously, if not repugnantly, and that political econ-

omy, which is the science of the nature, production and

exchange of wealth, should be so widely regarded as a

selfish and hard science 1

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If we go into this question at all we mnst go deeper

than has yet, I think, been done.

There is a distinction on which onr examination of

wealth and value may throw light, the distinction we

commonly make between the rich and the poor. We mean

by a rich man a man who is possessed of much having

value, that is to say, of much wealth or of much power of

commanding wealth or services from others. And by a

poor man we mean a man who possesses little or nothing

of such values. But where is the line of division between

rich and poor? There is no line distinctly recognized in

common thought, and a man is called rich or poor accord-

ing to the standard of average comfort prevailing in the

society or rather the grade of society in which the estimate

is made. Among Connemara peasants, as in the song, a

woman of three cows might be esteemed wealthy ; while

among Esquimaux, as in Mark Twain's story, the posses-

sion of a few iron fish-hooks might be as convincing a

proof of riches as the loading of a Christian woman with

diamonds by an American millionaire. There are circles

of human life in New York City in which no man would

be deemed poor who could see his way to a night's lodging

and a breakfast in the morning, and there are other circles

in which a Vanderbilt could say that a man possessed of

only a million dollars could with economy live as comfor-

tably as though he were rich.

But is there not some line the recognition of which will

enable us to say with something like scientific precision

that this man is rich and that man is poor ; some line of

possession which will enable us truly to distinguish between

rich and poor in all places and conditions of society ; a line

of the natural, mean, or normal possession, below which

in various degrees is poverty, and above which in varying

degrees is wealthiness f It seems to me that there must be.

And if we stop to think of it, we may see that there is.

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If we set aside for the moment the narrower economic

meaning of service, by which direct service is conveniently

distinguished from the indirect service embodied in wealth,

we may resolve all the things which indirectly satisfy

human desire into one term, service ; just as we resolve

fractions into a common denominator. Now, is there not

a natural or normal line of the possession or enjoyment of

service? Clearly there is. It is that of equality between

giving and receiving. This is the equilibrium which Con-

fucius expressed in the golden word of his teaching that

in English we translate into " reciprocity." Naturally the

services which a member of a human society is entitled to

receive from other members are the equivalents of those

he renders to others. Here is the normal line from which

what we call wealthiness and what we call poverty take

their start. He who can command more service than he

need render, is rich. He is poor, who can command less

service than he does render or is willing to render; for in

our civilization of to-day we must take note of the mon-

strous fact that men willing to work cannot always find

opportunity to work. The one has more than he ought to

have ; the other has less. Rich and poor are thus correla-

tives of each other ; the existence of a class of rich involv-

ing the existence of a class of poor, and the reverse ; and

abnormal luxury on the one side and abnormal want on

the other have a relation of necessary sequence. To put

this relation into terms of morals, the rich are the robbers,

since they are at least sharers in the proceeds of robbery ;

and the poor are the robbed.

This is the reason, I take it, why Christ, who was not

really a man of such reckless speech as some Christians

deem Him to have been, always expressed sympathy with

the poor and repugnance of the rich. In His philosophy

it was better even to be robbed than to rob. In the king-

dom of right-doing which He preached, rich and poor

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would be impossible, because rich and poor in the true

sense are the results of wrong-doing. And when He said,

" It is easier for a camel to pass through the eye of a needle

than for a rich man to enter the kingdom of heaven !" He

simply put in the emphatic forms of Eastern metaphor a

statement of fact as coldly true as the statement that two

parallel lines can never meet.

Injustice cannot live where justice rules, and even if the

man himself might get through, his riches— his power of

compelling service without rendering service— must of

necessity be left behind. If there can be no poor in the

kingdom of heaven, clearly there can be no rich !

And so it is utterly impossible in this, or in any other

conceivable world, to abolish unjust poverty, without at

the same time abolishing unjust possessions. This is a

hard word to the softly amiable philanthropists who, to

speak metaphorically, would like to get on the good side

of God without angering the devil. But it is a true word

nevertheless.

CHAPTER XX.

OF THE PERMANENCE OP WEALTH.

SHOWING THAT VALUES FROM OBLIGATION SEEM REALLY TO

LAST LONGER THAN VALUES PROM PRODUCTION.

Value from production and value from obligation— The one material

and the other existing in the spiritual— Superior permanence of

the spiritual— Shakespeare's boast— Maecenas's buildings and

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land values last longer than gold and gems— Destruction in social

advance— Conclusions from all this.

IN making the distinction between values from produc-

tion that really constitute wealth in political economy,

and values from obligation, which are not really wealth

at all, and may at best be classified as "relative wealth n

in contradistinction to "real wealth," there is an im-

portant and to our usual ways of thinking an unexpected

difference to be mentioned between them with relation to

permanence and to the effect of the progress of society

upon their value.

Value from production, or real wealth, consistsof material

things. These things are taken as it were by labor from

the reservoirs of nature, and by virtue of their materiality

tend back to those reservoirs again from the moment they

are taken, just as water, taken from the ocean, tends back

to the ocean. The great body of wealth is, indeed, pro-

duced for a purposed consumption that involves immediate

destruction. And since I think we may properly speak in

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a different sense of the consumption of a book by reading

it, or of a picture or statue by looking at it, even the parts

not subject to purposed and almost immediate destruction,

are subject to destruction by the action of the elements,

by mechanical and chemical disintegration, and finally by

being lost. Indeed, the far greater part of material things

if not absolutely all of them, after they have been brought

into existence, require the constant exertion of labor to

keep them in existence and prevent their relapsing into

nature's reservoirs again.

But things having a value which does not come from

the exertion of labor and which represents only the power

given by human law, agreement or custom of appropriating

the proceeds of exertion, have their real existence in the

human mind or will, the spiritual element of man. The

papers which we use in transferring them, or proclaiming

them, or evidencing them, are not the things themselves,

but mere aids to memory. The essence of a debt is not

the due-bill or promissory note, but a moral obligation or

mental agreement; the essence of a franchise is not the

written charter or engrossed act of legislature, but the

will of the sovereign, theoretically supposed to be the will

of all ; the ownership of land is not in the title-deeds, but

in the same sovereign will or supposed general agreement.

As the spiritual part of man— mind, will and memory—

continues the same while the matter of which his body is

composed is continually passing, so a mental impression,

recorded by tradition, belief or custom in what may be

styled the social mentality, may endure while physical

changes wrought by man are lost. It is probable that the

oldest records of man's presence on the earth are to be

found in words yet current, and that nursery rhymes and

children's games antedate the most massive monuments.

It was no idle boast of Shakespeare that his verse would

outlast marble and brass. The stately buildings raised by

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the powerful prime minister of Augustus Csesar have failed

to perpetuate his memory ; but far further than his world

extended, the name of MsBcenas yet lives for us in the odes

of Horace.

Now, in the same way, the values which cannot be in-

cluded in the category of wealth are as a class much more

enduring than the values which are properly so included.

We of the modern civilization generally limit the time

during which debts, promissory notes, and similar obliga-

tions of the individual can be legally enforced. But there

are devices by which a value which is in reality but an

obligation to render future labor may be continued for

longer periods j while many values of similar nature we

treat as perpetual, as is the case with public debts, with

some franchises, and with exclusive rights to land. These

may retain their value unimpaired, while the value of the

great body of articles of wealth lessens and disappears.

How little of the wealth in existence in England two

hundred years ago exists now ! And the infinitesimal part

that still exists has been maintained in existence only by

constant care and toil. But stock in the public debt of

England incurred then still retains value. So do perpetual

pensions granted to their favorites and lemans by English

kings long dust. So do advowsons, rights of fishery and

market, and other special privileges. While such fran-

chises as that of the New River Company, and the right

to the exclusive use of land in many places have enormously

increased in value. These things have cost no care or

trouble to maintain. On the contrary, they have been

sources of continual revenue to their owners—have enabled

their owners to call continually upon generation after

generation of Englishmen to undergo toil and trouble for

their benefit. Yet their value, that is to say their power

of continuing to do this, remains still, not merely unim-

paired, but in many cases enormously increased.

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Of all articles of value from production those which

longest retain the quality of value are precious metals and

gems. In the coin and jewelry passing from hand to hand

in the exchanges of modern civilization there are doubtless

some particles of metal and some precious stones that had

value at the very dawn of history and have retained it ever

since. But these are rare and indistinguishable exceptions.

So far as we can see with any certainty, the quality of

value has longer and more constantly attached to the

ownership of land, which is not an article of wealth, than

to any other valuable thing. The little piece of land in

the Sabine hills, which Maecenas gave to Horace, had

doubtless been bought and sold and exchanged for cen-

turies before that, and has, I doubt not, a value to this

day. And so, certainly, with some of the building sites of

Rome. Through all the mutations in the fortunes of the

Imperial City, some of them have doubtless continually

held a value, sometimes lower and sometimes higher. It

is this permanence of value which has led the lawyers to

distinguish property in land, though it is not wealth at all,

as real estate or real property. Its value remains so long

as population continues around it and custom or municipal

law guarantees the special privilege of appropriating the

profits of its use.

And between articles of wealth and things of the nature

of special privileges, like franchises and property in land,

which though having value are not wealth, there is still

another very important distinction to be noted. The

general tendency of the value attached to the one is to

decrease and disappear with social advance. The general

tendency of the value attaching to the other is to increase.

For social advance, involving, as it does, increase of

population, extensions of exchange and improvement of

the arts, tends constantly, by lessening the cost of produc-

tion, steadily to reduce the value of the great body of

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articles of wealth already in existence, and having value

from production. In some cases indeed the effect of social

advance is suddenly and utterly to destroy these values.

The value of almost all the products of labor has been of

late years steadily and largely reduced in this way, while

the value of much costly machinery has been and still is

being destroyed by discoveries, inventions and improve-

ments, which render their use in production antiquated.

But the growth of population and the augmentations of

the productive power of labor increase enormously the

value of such special privileges as franchises and land-

ownership in the highways and centers of social life.

It will be seen from our analysis, as indeed from obser-

vation, that the amount of wealth at any time existing

is very much less than is usually assumed. The vast

majority of mankind live not on stored wealth, but on

their exertion. The vast majority of mankind, even in

richest civilized countries, leave the world as destitute of

wealth as they entered it.

It is the constant expenditure of labor that alone keeps

up the supply of wealth. If labor were to cease, wealth

would disappear.

And while this fact, that value from mere obligation

has a permanence which does not belong to value from

production, may have a bearing upon speculations too deep

to be entered on here, and suggests perhaps truth on the

part of those who say that the material universe may be

a mere reflex and correspondence of the moral and mental

universe, and that we may find reality not in what we call

life, but in what we call death, and while it may make

comprehensible the resurrection from the dead which to

many has been most perplexing, it has immediate bearing

on many things to which any consideration of the true

nature and bearings of wealth comes close if it does not

closely touch.

CHAPTER XXI.

THE RELATION OP MONEY TO WEALTH.

SHOWING THAT SOME MONET IS AND SOME MONEY IS NOT

WEALTH.

Where I shall treat of money— No categorical answer can yet be

given to the question whether money is wealth— Some money is

and some is not wealth.

THE subject of money, in my view of the matter, properly

belongs to this Book, which treats of the nature of

wealth. But the subject is at the time I write so compli-

cated and confused by current discussions, especially in

the United States, as to require for its complete elucidation

a fullness of treatment that would too much expand this

Book. And, moreover, these current discussions of what

is and what ought to be money involve principles which

do not find their proper place in the discussion of the

nature of wealth, but which will be treated in the succeeding

books on Production and Distribution. For these reasons,

I shall postpone the full treatment of Money until after

the laws of Production and the laws of Distribution have

been discussed. But one question is certain to occur to

the reader which must be answered here— the question,

" Is money wealth t n

To this no categorical answer can be given, for the reason

that what we properly call money is in all countries in our

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present stage of civilization of essentially different kinds.

Some of the money in use to-day is wealth, and some of

it is not wealth. Some, such for instance as the gold

coins of the United States and England, is wealth to the

full amount of its circulating value. Some, such as the

silver, copper and bronze coins of the same countries, is

wealth, but not wealth to the full extent of its circulating

value. While some, such as the paper money, which now

constitutes so large a part of the money of the civilized

world, is not wealth at all. For, as we have seen, nothing

is wealth in the economic sense, unless and in so far as the

value which attaches to it is a value of production. The

value arising from obligation constitutes no part of the

wealth of nations.

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THE word production comes from the Latin, pro, be-

fore, and ducere, to draw, and its literal meaning is

a drawing forth.

Production, as a term of political economy, means a

drawing forth by man ; a bringing into existence by the

power of man. It does not mean creation, the proper

sense of which is the bringing into existence by a power

superior to that of man— that power namely which to

escape negation our reason is compelled to postulate as

the final cause of all things.

A solar system, a world with all the substances and

powers therein contained, soil, water and air, chemical

affinities, vital forces, the invariable sequences which we

term natural laws, vegetables and animals in their species

as they exist irrespective of the modifying influence of

man, and man himself with his natural powers, needs and

impulses, we properly speak of as created. How precisely

i No introduction or motto supplied for Book HL in MS. — H. G., Jr.

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they came to be, and what and whence the originating

impulse, we cannot tell, and probably in the sphere to

which we are confined in this life can never know. All

we can say with certainty, is that they cannot have been

brought into existence by any power of man ; that they

existed before man was, and constitute the materials and

forces on which his existence depends and on which and

from which all his production is based. Since they cannot

have come from what we call matter alone ; nor from what

we call energy alone ; nor yet from any union of these two

elements alone, they must proceed primarily from that

originating element that in the largest analysis of the

world that reason enables us to make we distinguish from

matter and energy as spirit.

Nothing that is created can therefore in the politico-

economic sense be said to be produced. Man is not a

creator ; he has no power of originating things, of making

something out of nothing. He is a producer; that is to

say a changer, who brings forth by altering what already

is. All his making of things, his causing things to be, is

a drawing forth, a modification in place or relation, and in

accordance with natural laws which he neither originated

nor altered, of what he finds already in existence. All his

production has as its substratum what he finds already in

the world ; what exists irrespective of him. This substra-

tum or nexus, the natural or passive factor, on which and

by which the human or active factor of production acts,

is in the terminology of political economy called land.

It is to be noted that when used as a term of political

economy the word " production " has in some respects a

narrower, and in some respects a wider, meaning than is

often, in common use properly enough, attached to it.

Since the production with which political economy pri-

marily deals is the production of wealth, the economic term

production refers to that. But it is important to bear in

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mind that the production of wealth is not the only kind of

production.

I have alluded to this fact before in Chapter XVIII. of

Book II. Let me speak of it again.

I black my boots ; I shave my face ; I take a violin and

play on it, or expend effort in learning to do so ; I write a

poem ; or observe the habits of bees ; or try to make an

hour pass more agreeably to a sick friend by reading to

him something which arouses and pleases his higher na-

ture. In such ways I am satisfying wants or gratifying

desires, cultivating powers or increasing knowledge, either

for myself or for others. But I am not producing wealth.

And so, those who in the cooperation of efforts in which

civilization consists devote themselves to such occupations

—boot-blacks, barbers, musicians, teachers, investigators,

surgeons, nurses, poets, priests— do not, strictly speaking,

take part in the production of wealth. Yet it may be mis-

leading to speak of them as non-producers, without care

as to what is really meant. Though not producers of

wealth, they are yet producers, and often producers of the

highest kind. They are producers of utilities and satisfac-

tions ; and as such are not only producers of that to which

wealth is but a means, but may indirectly aid in the pro-

duction of wealth itself.

On the other hand there is something we should note.

In common speech, the word production is frequently

used in a sense which distinguishes the first from the later

stages of wealth-getting ; and those engaged in the primary

extractive or formative processes are often styled pro-

ducers, as distinguished from transporters or exchangers.

This use of the word production may be convenient

where we wish to distinguish between separable functions,

but we must be careful not to import it into our habitual

use of the economic term. In the economic meaning of

the term production, the transporter or exchanger, or any

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one engaged in any sub-division of those functions, is as

truly engaged in production as is the primary extractor

or maker. A newspaper-carrier or the keeper of a news-

stand would for instance in common speech be styled a

distributor. But in economic terminology he is not a dis-

tributor of wealth, but a producer of wealth. Although

his part in the process of producing the newspaper to the

final receiver comes last, not first, he is as much a producer

as the paper-maker or type-founder, the editor or com-

positor or press-man.

For the object of production is the satisfaction of

human desires, that is to say it is consumption j and this

object is not made capable of attainment, that is to say,

production is not really complete, until wealth is brought

to the place where it is to be consumed and put at the dis-

posal of him whose desire it is to satisfy.

Thus, the production of wealth in political economy in-

cludes transportation and exchange. The distribution of

wealth, on the other hand, has in economic phraseology no

relation to transportation or exchange, but refers, as we

shall see when we come to treat of it, to the division of

the results of production.

This fact has been ignored by the great majority of

professed economists who with few exceptions treat of

exchange under the head of the distribution of wealth in-

stead of giving it its proper place under the head of the

production of wealth.

CHAPTER II.

TSE \*\*\*\*\* MODES OF PRODUCTION

OF PRODUCTION.

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which, in the changes he brings about in natural substances

and objects, man makes use only of those natural forces

and potencies which we may conceive of as existing or

manifesting themselves in a world as yet destitute of life ;

or perhaps it might afford a better illustration to say, in

a world from which the generative or reproductive prin-

ciple of life had just departed, or been by his condition

rendered unutilizable by man. These would include all

such natural forces and potencies as gravitation, heat,

light, electricity, cohesion, chemical attractions and repul-

sions—in short, all the natural forces and relations, that

are utilized in the production of wealth, below those

incident to the vital force of generation.

We can perhaps best imagine such a separation of natural

forces by picturing to ourselves a Robinson Crusoe thrown

upon a really desert island or bare sand key, in a ship

abundantly supplied with marine stores, tools and food so

dried or preserved as to be incapable of growth or repro-

duction. We might also, if we chose, imagine the ship to

contain a dog, a goat, or indeed any number of other ani-

mals, provided there was no pairing of the sexes. We

cannot, in truth, imagine even a bare sand key, in which

there should be no manifestation of the generative prin-

ciple, in insects and vegetables, if not in the lower forms

of fish and bird life, but we can readily imagine that our

Robinson might not understand, or might not find it con-

venient, to avail Viimaftlf of such manifestations of the

reproductive principle. Yet without any use of the prin-

ciple by which things may be made to grow and increase,

such a man would still be able to produce wealth, since

by changing in place, form or combination what he found

already in existence in his island or in his ship, he could

fit them to the satisfaction of his desires. Thus he could

produce wealth just as De Foe's Robinson Crusoe, whose

solitary life so many of us have shared in imagination,

Chap. II. THE THREE MODES OP PRODUCTION. 329

produced wealth when he first landed, by bringing desir-

able things from the wrecked ship to the safety of the

shore before destructive gales came on, and by changing

the place and form of such of them as were fit for his

purpose, making himself a cabin, a boat, sails, nets, clothes,

and so on. In the same way, he could catch fish, kill or

snare birds, capture turtles, take eggs, and convert the

food-material at his disposal into more toothsome dishes.

Thus without growing or breeding anything he could get

by his labor a living, until death, or the savages, or an-

other ship came.

For this mode of production, which is mechanical in its

nature, and consists in the change in place, form, condition

or combination of what is already in existence, it seems to

me that the best term is " adapting."

This is the mode of production of the fisherman, the

hunter, the miner, the smelter, the refiner, the mechanic,

the manufacturer, the transporter ; and also of the butcher,

the horse-breaker or animal-trainer, who is not also a

breeder. We use it when we produce wealth by taking

coal from the vein and changing its place to the surface

of the earth ; and again when we bring about a further

increment of wealth by carrying the coal to the place

where it is to be consumed in the satisfaction of human

desire. We use this mode of production when we convert

trees into lumber, or lumber into boards ; when we con-

vert wheat into flour, or the juice of the cane or beet into

sugar; when we separate the metals from the combina-

tions in which they are found in the ores, and when we

unite them in new combinations that give us desirable

alloys, such as brass, type-metal, Babbitt metal, aluminum,

bronze, etc. ; or when by the various processes of separat-

ing and re-combining we produce the textile fabrics, and

convert them again into clothes, sails, bags, etc. ; or when

by bringing their various materials into suitable forms

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and combinations, we construct tools, machines, ships or

houses. In fact, all that in the narrower sense we usually

call " making/' or, if on a large scale, " manufacturing," is

brought about by the application of labor in this first mode

of production— the mode of "adapting."

In the Northwest, however, they speak sometimes of

" manufacturing wheat ; " in the West of " making hogs,"

and in the South of "making cotton" (the fiber) or "making

tobacco" (the leaf). But in such local or special sense

the words manufacturing or making are used as equiva-

lent to producing. The sense is not the same, nor is

the suggested action in the same mode, as when we prop-

erly speak of flour as being manufactured, or of bacon,

cotton cloth or cigars being made. Wonderful machines

are indeed constructed by man's power of adaptation. But

no extension of this power of adaptation will enable him

to construct a machine that will feed itself and produce

its kind. His power of adapting extended infinitely would

not enable him to manufacture a single wheat-grain that

would sprout, or to make a hog, a cotton-boll or a tobacco-

leaf. The tiniest of such things are as much above man's

power of adapting as is the "making" of a world or the

"manufacture" of a solar system.

There is, however, another or second mode of produc-

tion. In this man utilizes the vital or reproductive force

of nature to aid him in the producing of wealth. By ob-

taining vegetables, cuttings or seeds, and planting them ;

by capturing animals and breeding them, we are enabled

not merely to produce vegetables and animals in greater

quantity than Nature spontaneously offers them to our

taking, but, in many cases, to improve their quality of

adaptability to our uses. This second mode of production,

the mode in which we make use of the vital or generative

power of nature, we shall, I think, best distinguish from

the first, by calling it " growing." It is the mode of the

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farmer, the stock-raiser, the florist, the bee-keeper, and to

some extent at least of the brewer and distiller.

And besides the first mode, which we have called " adapt-

ing/' and the second mode, which we have called " grow-

ing," there is still a third mode in which, by men living in

civilization, wealth is produced. In the first mode we

make use of powers or qualities inherent in all material

things ; in the second we make use of powers or qualities

inherent in all living things, vegetable or animal. But

this third mode of production consists in the utilization of

a power or principle or tendency manifested only in man,

and belonging to him by virtue of his peculiar gift of

reason— that of exchanging or trading.

That it is by and through his disposition and power to

exchange, in which man essentially differs from all other

animals that human advance goes on, I shall hereafter

show. Yet not merely is it through exchange that the

utilization in production of the highest powers both of the

human factor and the natural factor becomes possible, but

it seems to me that in itself exchange brings about a per-

ceptible increase in the sum of wealth, and that even if

we could ignore the manner in which it extends the power

of the other two modes of production, this constitutes it,

in itself, a third mode of production. In the Yankee story

of the two school-boys so cute at a trade that when locked

in a room they made money by swapping jack-knives,

there is the exaggeration of a truth. Each of the two

parties to an exchange aims to get, and as a rule does get,

something that is more valuable to him than what he

gives— that is to say, that represents to him a greater

power of labor to satisfy desire. Thus there is in the

transaction an actual increase in the sum of wealth, an

actual production of wealth. A trading-vessel, for in-

stance, penetrating to the Arctic, exchanges fish-hooks,

harpoons, powder and guns, knives and mirrors, green

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spectacles and mosquito-nets for peltries. Each party to

the exchange gets in return for what costs it compara-

tively little labor what would cost it a great deal of labor

to get by either of the other modes of production. Each

gains by the act. Eliminating transportation, which be-

longs to the first mode of production, the joint wealth of

both parties, the sum of the wealth of the world, is by the

exchange itself increased.

This third mode of production let us call " exchanging. 7 '

It is the mode of the merchant or trader, of the store-

keeper, or as the English who still live in England call him,

the shopkeeper; and of all accessories, including in large

measure transporters and their accessories.

We thus have as the three modes of production :

(1) Adapting;

(2) Growing;

(3) Exchanging.

These modes seem to appear and to assume importance

in the development of human society much in the order

here given. They originate from the increase of the de-

sires of men with the increase of the means of satisfying

them under pressure of the fundamental law of political

economy, that men seek to satisfy their desires with the

least exertion. In the primitive stage of human life the

readiest way of satisfying desires is by adapting to human

use what is found in existence. In a later and more settled

stage it is discovered that certain desires can be more

easily and more fully satisfied by utilizing the principle of

growth and reproduction, as by cultivating vegetables and

breeding animals. And in a still later period of develop-

ment, it becomes obvious that certain desires can be better

and more easily satisfied by exchange, which brings out

the principle of cooperation more fully and powerfully

than it could obtain among unexchanging economic units.

CHAPTER HI.

POPULATION AND SUBSISTENCE.

SHOWING THAT THE THEORY OP A TENDENCY IN POPULATION

TO INCREASE FASTER THAN SUBSISTENCE HAfj PREVIOUSLY

BEEN EXAMINED AND CONDEMNED.

The Malthusian theory—Discussed in "Progress and Poverty."

IN proceeding to consider the laws of the production of

wealth it would be expedient first to consider any nat-

ural law, if such there should be, which would limit the

operation of man in production. In the Malthusian theory

the scholastic political economy has held that there is a

law of nature that produces a tendency in population to

increase faster than subsistence. This, coming as it did,

in the formative period of the institution of the science,

was really the bulwark of the long-accepted political econ-

omy, which gave to the wealthy a comfortable theory for

putting upon the Originating Spirit the responsibility for

all the vice, crime and suffering, following from the unjust

actions of men, that constitute the black spot of .our nine-

teenth-century civilization. Palling in with the current

doctrine that wages are determined by the ratio between

capital and labor, deriving support from the principle

brought prominently forward in current discussions of the

theory of rent, that past a certain point the application of

capital and labor to land yields a diminishing return, and

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harmonizing with the theory of the development of species

by selection, it became of the utmost importance, and for

a long time imposed even upon well-disposed and fair-

minded men a weight of authority of which they could

not rid themselves. But in "Progress and Poverty" I

devoted to it an entire Book, consisting of four chapters.

In this, with what follows, I so disposed of the theory that

it is not necessary to go over the reasoning again, but can

refer to my previous work those who may wish to inquire

as to the nature, grounds and disproof of that theory.

As the space of that work did not allow me to go over

the whole scope of political economy, but only to cover its

more salient points, it will be well here to examine, what

I did not do thoroughly in that work, the doctrine of the

law of diminishing returns in agriculture. Since this doc-

trine has not yet to my knowledge been questioned, it

will be well to do this thoroughly.

CHAPTER IV.

THE ALLEGED LAW OF DIMINISHING RETURNS

IN AGRICULTURE.

SHOWING WHAT THIS ALLEGED LAW IS.

John Stuart Mill quoted as to the importance, relations and nature

of this law— The reductio ad absurdum by which it is proved—

Contention that it is a misapprehension of the universal law of

space.

BEFORE proceeding to the subject of cooperation it is

necessary to consider, if but to clear the way, what

is treated in standard economic works since the time of

Adam Smith as the most important law of production,

and indeed of political economy as a whole. This is what

is called " The Law of Diminishing Production," or more

fully and exactly, " The Law of Diminishing Returns in

Agriculture." Of it John Stuart Mill ("Principles of

Political Economy," Book L, Chapter XII., Sec. 2) says:

This general law of agricultural industry is the most important

proposition in Political Economy. Were the law different nearly all

the phenomena of the production and distribution of wealth would

be other than they are.

This view of the importance of " the law of diminishing

returns in agriculture" pervades the standard political

economies, and is held by the most recent scholastic writers,

such as Professor Walker of the United States and Pro-

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f essor Marshall of England, as by Mill and his predecessors.

It arises from the relation of this alleged law to current

apprehensions of the law of rent, and especially from the

support which it seems to give to the Malthusian doctrine

that population tends to outrun subsistence— a support

to which the long acceptance of that doctrine is due.

Thus, as the necessary consequence of this "law of

diminishing returns in agriculture," John Stuart Mill in

Book I., Chapter XIII., Sec. 2, of his " Principles of Politi-

cal Economy," says :

In all countries which have passed beyond a rather early stage in

the progress of agriculture, every increase in the demand for food,

occasioned by increased population, will always, unless there is a

simultaneous improvement in production, diminish the share which

on a fair division would fall to each individual. . . . From this,

results the important corollary, that the necessity of restraining

population is not, as many persons believe, peculiar to a condition

of great inequality of property. A greater number of people cannot,

in any given state of civilization be collectively so well provided for

as a smaller. The niggardliness of nature, not the injustice of

society, is the cause of the penalty attached to overpopulation. An

unjust distribution of wealth does not even aggravate the evil, but

at most causes it to be somewhat earlier felt. It is in vain to say,

that all mouths which the increase of mankind calls into existence

bring with them hands. The new mouths require as much food as

the old ones, and the hands do not produce as much.

As to the law itself, from which such tremendous conse-

quences are confidently deduced— consequences which put

us to the mental confusion of denying the justice of the

Creator, and assuming that the Originating Spirit is so

poor a contriver as to be constantly doing what any mere

human host would be ashamed to be guilty of, bringing

more guests to his table than could be fed— it is thus

stated by Mill :

After a certain and not very advanced stage in the progress of

agriculture ; as soon, in fact, as mankind have applied to cultivation

Chap. IV. OF DIMINISHING RETURNS. 337

with any energy, and have brought to it any tolerable tools ; from

that time it is the law of production from the land, that in any given

state of agricultural skill and knowledge, by increasing the labor, the

produce is not increased in equal degree ; doubling labor does not

increase the produce ; or to express the same thing in other words,

every increase of produce is obtained by a more than proportional

increase in the application of labor to the land.

This law of diminishing returns in agriculture it is

further explained applies also to mining, and in short to

all the primary or extractive industries, which give the

character of wealth to what was not before wealth, but

not to those secondary or subsequent industries which add

an additional increase of wealth to what was already

wealth. Thus since the law of diminishing productiveness

in agriculture does not apply to the secondary industries,

it is assumed that any increased application of labor (and

capital) in manufacturing for instance, would continue to

yield a proportionate and more than proportionate return.

And as conclusive and axiomatic proof of this law of di-

minishing productiveness in agriculture, it is said that

were it not for this peculiar law, and were it, on the con-

trary (as it is assumed it would be without it), the fact

that additional application of labor would result in a pro-

portionately increased production from the same land,

one single farm would suffice to raise all the agricultural

produce required to feed the whole population of England,

of the United States or any other country, or of course,

of the whole world, by mere increase in the application of

labor.

This proposition seems to have been generally accepted

by professional economists as a valid reductio ad dbsurdum,

and to have carried the same weight in the common

thought as has the similar proposition of the general

Malthusian doctrine that if increasing population did not

find increasing difficulty in getting subsistence, mankind

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would in a little while be able only to find standing-room

on one another's heads.

But analysis will show that this logical structure, which

economic writers have deemed so strong and on which

they have so confidently built, rests upon an utter misap-

prehension ; that there is in truth no special law of dimin-

ishing productiveness applying to agriculture, or to the

extractive occupations, or to the use of natural agents,

which are the various ways which the later writers have

of sometimes stating what the earlier writers called the law

of diminishing productiveness in agriculture; and that

what has been misapprehended as a special law of dimin-

ishing returns in agriculture is in reality a general law,

applying as well to manufacturing and exchanging as to

agriculture, being in fact nothing less general than the

spacial law of all material existence and movement— inor-

ganic as well as organic.

This will appear if we consider the relation of space to

production. But to do this thoroughly and at the same

time to clear the way for considerations which may prove

of importance in other parts of this work, I propose to

begin by endeavoring to fix the meaning and nature of

space and time.

CHAPTER V.

OP SPACE AND TIME.

SHOWING THAT HUMAN REASON IS ONE, AND SO FAB AS IT

CAN GO MAT BE BELIED ON.

Purpose of this work—Of metaphysics— Danger of thinking of words

as things— Space and time not conceptions of things but of rela-

tions of things— They cannot, therefore, have independent begin-

ning or ending— The verbal habit which favors this idea— How

favored by poets and by religious teachers— How favored by phi-

losophers—Of Kant- Of Schopenhauer- Mysteries and antino-

mies that are really confusions in the meaning of words— Human

reason and the eternal reason— "Philosophers" who are really

word-jugglers.

MT purpose in this work is to explain the science of

political economy so clearly that it may be under-

stood by any one of common ability who will give to it

reasonable attention. I wish therefore to avoid, as far

as possible, everything that savors of metaphysics. For

metaphysics, which in its proper meaning is the science of

the relations recognized by human reason, has become in

the hands of those who have assumed to teach it, a syno-

nym for what cannot be understood, conveying to common

thought some vague notion of a realm beyond the bounds

of ordinary reason, into which common sense can venture

only to shrink helpless and abashed.

Yet to trace to their root confusions involved in current

economic teachings and to clear the ground for a coherent

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political economy, it is necessary to fix the real meaning

of two conceptions which belong to metaphysics, and which

are beset by confusions that have not only disturbed the

teaching of political economy, but of philosophy in the

higher sense. These conceptions are those of space and

time.

All material existence is in space and in time. Hence,

the production of wealth, which in all its modes consists in

the bringing about by human exertion of changes in the

place or relation of material things, so as to fit them for

the satisfaction of human desire, involves both space and

time.

This may seem like a truism— a fact so self-evident as

not to need statement. But much disquisition has been

wasted and much confusion caused by the failure of econ-

omists to keep this in mind. Hence, to start from firm

foundations, we must see clearly what is really meant by

space and time. Here we come into the very heart of

metaphysics, at a point where the teachings of what passes

for the highest philosophy are most perplexed and per-

plexing.

In asking ourselves what we really mean by space and

time, we must have a care, for there is a danger that the

habitual use of words as instruments of thought may lead

to the error of treating what they express as objects of

thought, or things, when they really express not things,

but only the qualities or relations of things. This is one

of those sources of error which Bacon in his figurative

classification called Idols of the Forum. Though a word

is a thing, in the sense that its verbal form may be made

an object of thought, yet all words are not things in the

sense of representing to the mind what apart from mere

verbal form may be made an object of thought. To clothe

in a form of words which the eye and ear may distinguish

from other words, yet which in their meaning involve con-

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tradictions, is not to make a thing, which in itself, and

aside from that mere verbal form, can be thought of. To

give a name to a form of words implying contradictions

is to give name to what can be thought of only verbally,

and which in any deeper sense than that is a negation—

that is to say, a no thing, or nothing.

Yet this is the trick of much that to-day passes for the

most profound philosophy, as it was the trick of Plato and

of much that he put into the mouth of Socrates. To try

it, make up a word signifying opposite qualities, such as

"lowhigh" or " squareround," or a phrase without think-

able meaning, such as a " fourth dimension of space." In

this it will be wisest to use a tongue which being foreign

to the vernacular is suggestive of learning. Latin or

Greek, has long been used for this purpose, but among

English-speaking people German will now do as well if not

better, and those who call themselves Theosophists have

taken Sanskrit or what they take to be Sanskrit very satis-

factorily. Now, if you have the external associations of

superior penetration, and will persist for a while in seem-

ing to treat your new word or phrase as if you were really

making it an object of deep thought, you will soon have

others persuading themselves to think that they also can

think of it, until finally, if it get the scholastic vogue, the

man frank enough to say that he can get no meaning from

it will be put down as an ignorant fellow whose education

has been neglected. This is really the same trick as stand-

ing on a street and gazing into the sky, as if you saw

something unusual there, until a crowd gathers to look

also. But it has made great reputations in philosophy.

Now, in truth, when we come to analyze our apprehen-

sions of space and time, we see that they are conceptions,

not of things in themselves existing, but of relations which

things in themselves existing may hold to each other-

space being a relation of extension or place between one

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thing and other things, sueh as far or near, hither or

thither; and time being a relation of succession between

one thing and other things, such as before or after, now

and then. To think of space we must necessarily think

of two points in place, and to make the relation of exten-

sion between them intelligible to our minds, we must also

think of a third point which may serve as a measure of

this relation. To think of time we must necessarily think

of two points in appearance or disappearance, and to make

this relation of sequence between them intelligible to our

minds, we must also think of some third point which may

serve as a measure of this relation.

Since space and time are thus not existences, but ex-

pressions of the relation to each other of things thought

of as existing, we .cannot conceive of their having begin-

ning or ending, of their creation or annihilation, as apart

from that of the things whose relation they express. Space

being a relation of extension between things in place, and

time a relation of succession between things in order of

appearance or duration, the two words properly express

relations which, like the relations of form and number

with which mathematics deals in its two branches of ge-

ometry and arithmetic, are expressive of actual relation

wherever the things they relate to have actual existence,

and of potential relation wherever the things they relate

to have merely potential existence. We cannot think of a

when or where in which a whole was not equal to the sum

of its parts, or will ever cease to be ; or in which the lines

and angles of a square were not, or can ever cease to be,

equal to each other; or in which the three angles of a

triangle were not, or can ever cease to be, equal to two

right angles. Nor yet can we think of a when or where

in which twice one did not make two, or can ever cease to

do so ; and twice two did not, or will ever cease to, make

four. In the same way it is utterly impossible for us to

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think of a when or where in which space and time could

begin or could end, as apart from the beginning or ending

of the things whose relations to each other they express.

To try to think of space and time without a presumption

of things whose relations to each other are thus expressed,

is to try to think of shadow without reference to substance.

It is to try to think of a no thing, or nothing— a negation

of thought

This is perfectly clear to us when we attach an article

to the noun and speak of " a space " or " the space/' or of

" a time " or " the time," for in such speech the relation of

one thing or set of things to another thing or set of things

is expressed by some such preposition as " from/' " before,"

" after n or " when." But when the noun is used without

the article, and men speak of space by itself and time by

itself without any word of particularization or preposition

of relation, the words have by the usage of our English

tongue the meaning of all space or space in general, or

all time or time in general In this case the habit of re-

garding words as denoting things in themselves existing

is apt to lead us to forget that space and time are but

names for certain relations in which things stand to each

other, and to come to regard them as things which in them-

selves, Bnd apart from the things whose relationship they

express, can become objects of thought. Thus, without

analyzing the process, we come to accept in our minds the

naked words as representing some sort of material exis-

tences—vaguely picturing space as a sort of atmosphere or

ether, in which all things swim, and time an ever-flowing

current which bears all things on.

From this mode of mental picturing we are apt to assume

that both space and time must have had beginning, before

which there was no space and no time ; and must have

limits, beyond which neither space nor time can be. But

when we try to think of this beginning or of these limits,

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we think of something which for the moment we assume

to be the first or farthest of existing things. Yet no

matter how far we may carry this assumption, we at the

same moment see that it may be carried further stilL To

think of anything as first, involves the possibility of think-

ing of something before that^ to which our momentary

first would become second. To think of an utmost star

in the material universe, involves the possibility of think-

ing of another star yet further still.

Thus in the effort to grasp such material conceptions of

time and space they inevitably elude us. Prom trying to

think of what are only names for relations which things

have to each other as if they were things in themselves,

we come to a point not merely of confusion, but of nega-

tion—a conflict of absolutely opposing ideas resembling

that brought about in the minds of the unwary by the

schoolmen's question as to what would happen did an

irresistible force meet an immovable body.

Now, this way of using the nouns space and time

without an article, as though they mean things in them-

selves existing, has been much favored by the poets, whose

use of words is necessarily metaphorical and loose. And

it has been much favored by the teachers of religion,

whose endeavor to embody spiritual truths tends to poet-

ical expression, and who have been prone in all ages to

make no distinction between the attribution to the higher

power of what transcends our knowledge and of what is

opposed to our reason — assuming the repugnance of human

reason to accept the contradictions to which they give the

name of mysteries to be proofs of its weakness.

Thus the habit of trying to think of space and time as

things in themselves and not merely relations of things,

has been embedded in religious literature, and in our most

susceptible years we hear of beings who know not space

or time, and of whens and wheres in which space and time

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are not. And as the child recoils from the impossible at-

tempt to think of the unthinkable and strives in vain to

picture a when or where in which space and time have

not been, or shall cease to be, he is hushed into silence

by being told that he is impiously trying to measure with

the shallow plummet of human reason the infinite depths

of the Divine Mind.

But the disposition of the theologians to And an insolv-

able mystery in the contradiction that follows the attempt

to think of space and time not as relations but as inde-

pendent existences, has been followed or perhaps antici-

pated by philosophers who in the use of meaningless words,

as though to them they really conveyed coherent ideas,

have assumed what has passed for superior penetration.

They (or at least those of them who have looked down

upon the theologians with contempt) have not, it is true,

called the inevitable conflict in thought which arises when

we try mentally to treat of what is really a relation as

though it were in itself a thing, a divine mystery. But

they have recognized this conflict as something inherent,

not in confusion of words, but in the weakness of human

reason—which human reason they themselves pretend to

go behind and instruct.

Kant, whose ponderous incomprehensibility is a striking

example of what (whether it was before him or because of

him) seems to have become a peculiarly German facility

for inventing words handy for philosophic juggling, dig-

nified this point of assumed necessary conflict by calling

it an " antinomy," which term suggesting in its derivation

the idea of a conflict of laws, was employed by him to

mean a self-contradiction or mutual destruction of una-

voidable conclusions of the human reason ; a what must

be thought of, yet cannot be thought of. Thus the word

antinomy in the scholastic philosophy that has followed

Kant takes the place of the word mystery in the theo-

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logical philosophy, as covering the idea of a necessary

irreconcilability of human reason.

Kant, for instance, tells us that space and time are forms

of human sensibility, which, as well as I can understand

him, means that our mental nature imposes upon us the

wearing of something like colored glasses, so that when

we consider things they always seem to us to be in space

and in time ; but that this is merely their appearance to

us, and that " things in themselves," that is, things as they

really exist outside of our sensibility or apprehension of

them, or as they would be apprehended by " pure reason "

(i.e., some reason outside of human reason), are not in

space and time at all.

In a passage I have already quoted, the much more

readable Schopenhauer speaks of the destruction of the

capacity for thinking which results from the industrious

study of a logomachy made up by monstrous piecings to-

gether of words which abolish and contradict one another.

But of this very thing, Schopenhauer himself with all his

strength and brilliancy is a notable example. His indus-

trious study of Kant had evidently reduced him to that

state of mind of which he speaks, where " hollow phrases

count with it for thoughts." His whole philosophy is

based on Kant's "Critique of Pure Reason," which he

speaks of as "the most important phenomenon that has

appeared in philosophy for two thousand years," and a

thorough understanding of which he declares in the be-

ginning and over and over again to be absolutely neces-

sary to an understanding of his own works. Likening the

effect of Kant's writings on the mind to which they truly

speak to that of the operation for cataract on a blind man,

he adds:

The aim of my own work may be described by saying that I have

sought to put into the hands of those upon whom that operation has

been successfully performed a pair of spectacles suitable to eyes that

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have recovered their sight— spectacles to whose use that operation is

the absolutely necessary condition.

And through these spectacles of " The Fourfold Boot of

the Principle of Sufficient Reason" and the chief work to

which that is preliminary, " The World as Will and Idea,"

Schopenhauer introduces us into what seems to natural

reason like a sort of philosophic "Alice in Wonderland."

If I can understand a man who seems to have a peculiar

gift of lucid expression wherever it is applied to under-

standable things, and whose writings are illumined by

many acute observations and sagacious reflections, this

world in which I find myself and which from the outside

is so immense, so varied, so wonderful, is from the inside,

nothing but "I, myself "— my idea, my presentment, my

will ; and space and time are only in my seeming, appear-

ances imposed upon me by the forms of my consciousness.

I behold, for instance, a kitten, which by and by becomes

a cat and has kittens of its own, and at the same time or

at different times and places I see or remember to have

seen many cats— tom-cats, pussy-cats, kitty-cats, black,

white, gray, mottled and tortoise-shell cats, in different

stages of age, from little cats whose eyes are not yet opened

to decrepit cats that have lost their teeth. But in reality,

on the inside of things as it were, there is only one cat,

always existent without reference to time and space. This

eternal cat is the idea of a cat, or cat idea, which is reflected

in all sorts of guises in the kaleidoscopic facets of my ap-

prehension. And as with cats, so with all things else in

which this infinite and varied world presents itself to me

—planets and suns, plants and trees, animals and men,

matter and forces, phenomena and laws. All that I see,

hear, touch, taste, smell or otherwise apprehend— all is

mirage, presentment, delusion. It is all the baseless fab-

ric of a vision, the self-imposed apprehensions of the evil

dream, containing necessarily more pain than pleasure, in

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which what we call life essentially consists ; yet which he

who suffers in it cannot escape by suicide, since that only

brings him into life again in other form and circumstance ;

but from which the truly wise man must seek relief by

starving himself to death without wanting to die ; or in

other words by conquering "the will to live," the only

road to the final goal of annihilation or Nirvana, to which

all life ultimately tends.

And this philosophy of negation, this nineteenth-cen-

tury Buddhism without the softening features of its Asiatic

prototype, that makes us but rats in an everlasting trap,

and substitutes for God an icy devil, is the outcome of

the impression made upon a powerful and brilliant but

morbid mind by "the industrious study of a logomachy

made up by monstrous piecings together of words which

abolish and contradict one another," that strives to turn

human reason as it were inside out and consider in the

light of what is dubbed "pure reason" the outside-in of

things.

The fact is, that this seemingly destructive conflict of

thought that theologians call a mystery and philosophers

call an antinomy— and which there must be very many of

my readers who like myself can remember puzzling over

in childhood in questionings of what might be beyond the

limits of space and time, and what was before God was,

and what might be after space and time had ceased— is not

in reality a failure of reason, but a confusion in the mean-

ing of words. When we remember that by space and time

we do not really mean things having existence but certain

relations to each other of things that have existence, the

mystery is solved and the antinomy disappears in the

perception of a verbal confusion— a confusion of the same

kind as perplexes those who try to think at once of an

irresistible force and an immovable body, two terms which

being mutually exclusive cannot together exist.

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There is a riddle about what a boy said, sometimes given

among young people playing conundrums, which if not

heard before, is almost certain to make the whole party

" give it up/' after trying all sorts of impossible answers,

since its true and only possible answer, " The boy lied," is

so obvious that they do not think of it.

We may be wise to distrust our knowledge ; and, unless

we have tested them, to distrust what we may call our

reasonings ; but never to distrust reason itself.

Even when we speak of lunacy or madness or similar

mental afflictions as the loss of reason, analysis I think

will show that it is not reason itself that is lost, but that

those powers of perception and recollection that belong to

the physical structure of the mind have become weakened

or broken or dislocated, so that the things with which the

reason deals are presented to it imperfectly or in wrong

place or relation.

In testing for glasses an optician will put on you lenses

through which you will see the flame of a candle above or

below or right or left of its true position, or as two where

there is only one. It is so with mental diseases.

And that the powers with which the human reason must

work are limited and are subject to faults and failures,

our reason itself teaches us as soon as it begins to examine

what we find around us and to endeavor to look in upon

our own consciousness. But human reason is the only

reason that men can have, and to assume that in so far as

it can see clearly it does not see truly, is in the man who

does it not only to assume the possession of a superior to

human reason, but it is to deny the validity of all thought

and to reduce the mental world to chaos. As compared

with the eternal reason which is manifested in the relations

which we call laws of nature our human reason is clearly

shallow and narrow ; but that it is a perception and recog-

nition of this eternal reason is perhaps the deepest fact of

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our certainty. Not as yet dreaming that this earth which

seems to our first perceptions to be so firmly fixed could

be in constant motion, men did not for a long time perceive

what a closer and wider use of reason now shows to be the

case, that the earth revolves around the sun, not the sun

around the earth, and spoke with literal meaning of sunrise

and sunset But as to the phenomena of day and night,

and as to the proximate cause of these phenomena being

in the relations of sun and earth towards each other, they

were not deceived.

As for the philosophers since Kant or before him who

profess to treat space and time as mere conditions of human

perception, mental glasses, as it were, that compel us to

recognize relations that do not in truth exist, they are mere

jugglers with words, giving names such as " the absolute,"

" the unconditioned," " the unknowable " to what cannot be

thought of, and then proceeding to treat them as things,

and to reason with them and from them.

CHAPTER VI.

CONFUSION OP THE SPACIAL LAW WITH

AGRICULTURE.

SHOWING THE GENESIS OF THIS CONFUSION.

What space is — The place to which man is confined — Extension a

part of the concept "land"— Perception is by contrast— Man's

first use of land is by the mode of "adapting"— His second, and

for a long time most important, use is by "growing "—The third,

on which civilization is now entering, is "exchanging"— Political

economy began in the second, and "growing' 7 still attracts most

attention— The truth and error of the Physiocrats— The succes-

sors of Smith, while avoiding the error of the Physiocrats, also

ignored their truth ; and with their acceptance of the Malthusian

theory, and Ricardo's explanation of rent as relating to agricul-

tural land, they fell into, and have continued the habit of treating

land and rent as agricultural— Difficulty of the single tax in the

United States.

THE laws of our physical being, to which I have already

called attention (Book I., Chapter 11.), confine us

within narrow limits to that part of the superficies of our

sphere where the ocean of air enveloping it meets the solid

surface. We may venture temporarily a little below the

solid surface, in caves and vaults and shafts and tunnels ;

and a little above it, on trees, or towers, or in balloons or

aerial machines, if such be yet constructed ; but with

these temporary aerial extensions of our habitat, which of

themselves require not only a preliminary but a recurring

use of the solid surface of the earth, it is to that solid

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surface that our material existence and material produc-

tion are confined. Physically we are air-breathing, light-

requiring land animals, who for our existence and all our

production require place on the dry surface of our globe.

And the fundamental perception of the concept land—

whether in the wider use of the word as that term of

political economy signifying all that external nature offers

to the use of man, or in the narrower sense which the word

usually bears in common speech, where it signifies the

solid surface of the earth— is that of extension ; that of

affording standing-place or room.

But a fundamental perception is not always a first per-

ception. Weight is a fundamental perception of air.

But we realize this only by the exertion of reason, and

long generations of men have lived, feeling the weight of

air on every part of their bodies during every second of

their lives from birth to death, without ever realizing that

air has weight. Perception is by contrast. What we

always perceive neither attracts attention nor excites

memory until brought into contrast with non-perception.

Even in the now short Atlantic trip the passenger be-

comes so accustomed to the constant throb of the engines

as not to notice it, but is aroused by the silence when it

stops. The visitor in a nail-mill is so deafened that speech

seems impossible j but the men working there are said to

talk to each other without difficulty and to find conversa-

tion hard when they get again into the comparative silence

of the street. In later years, I have at times " supped with

Lucullus," without recalling what he gave me to eat,

whereas I remember to this day the ham and eggs of my

first breakfast on a canal-packet drawn by horses that

actually trotted; how sweet hard-tack, munched in the

middle watch while the sails slept in the trade-wind, has

tasted ; what a dish for a prince was sea-pie on the rare

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occasions when a pig had been killed or a porpoise har-

pooned ; and how good was the plum-duff that came to the

forecastle only on Sundays and great holidays. I remember

as though it were an hour ago, that talking to myself

rather than to him, I said to a Yorkshire sailor on my first

voyage, "I wish I were home, to get a piece of pie." I

recall his expression and tone, for they shamed me, as he

quietly said, " Are you sure you would find a piece of pie

there!" Thoughtless as the French princess who asked

why the people who were crying for bread did not try

cake, "Home" was associated in my mind with pie of

some sort—apple or peach or sweet potato or cranberry

or mince— to be had for the taking, and I did not for the

moment realize that in many homes pie was as rare a

luxury as plums in our sea-duff.

Thus, while the fundamental quality of land is that of

furnishing to men place on which they may stand or move,

or rest things on, this is not the quality first noticed. As

settlers in a wooded country, where every foot of land

must be cleared for use, come to regard trees as a nuisance

to be got rid of, rather than as the source of value that

in the progress of civilization they afterwards become, so

in that rude stage of social development which we are

accustomed to think of as the primary condition of man-

kind, where the mode of expending labor in production

which most attracts attention is that we have called

"adapting," land would be esteemed rich or poor accord-

ing to its capacity of yielding to labor expended in this

first mode, the fruits of the chase.

In the next higher stage of social development, in which

that second mode of production, which we have called

"growing," begins to assume most importance in social

life, that quality of land which generally and strongly

attracts attention is that which makes it useful in agri-

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culture, and land would be esteemed rich or poor accord-

ing to its capacity for yielding to labor expended in the

breeding of animals and raising of crops.

But in the still higher stage of social development which

what we now call the civilized world is entering, attention

begins to be largely given to the third mode of production,

which we have called " exchanging," and land comes to be

considered rich or poor according to its capacity of yield-

ing to labor expended in trading. This is already the case

in our great cities, where enormous value attaches to land,

not because of its capacity to provide wild animals to the

hunter, nor yet because of its capacity to yield rich crops

to the grower, but because of its proximity to centers of

exchange.

That the development of our modern economy began in

what was still mainly the second stage of social develop-

ment, when the use of land was usually regarded from the

agricultural point of view, is it seems to me, the explanation

of an otherwise curious way of thinking about land that

has pervaded economic literature since the time of the

Physiocrats, and that still continues to pervade the scho-

lastic political economy—a way of thinking that leads

economic writers to treat land as though it were merely a

place or substance on which vegetables and grain may be

grown and cattle bred.

The followers of Quesnay saw that there is in the aggre-

gate production of wealth in civilization an unearned in-

crement—an element which cannot be attributed to the

earnings of labor or capital— and they gave to this incre-

ment of wealth, unearned so far as individuals are con-

cerned, the name of product net or surplus product. They

rightly traced this unearned or surplus product to land,

seeing that it constituted to the owners of land an income

or return which remained to them after all expenditure

of labor and investment of capital in production had been

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paid for. But they fell into error in assuming that what

was indeed in their time and place the most striking and

prominent use of land in production, that of agriculture,

was its only use. And finding in agriculture, which falls

into that second mode of production I have denominated

" growing," the use of a power of nature, the germinative

principle, essentially different from the powers utilized in

that first mode of production I have denominated " adapt-

ing," they, without looking further, jumped to the con-

clusion that the unearned increment of wealth or surplus

net sprang from the utilization of this principle. Hence

they deemed agriculture the only productive occupation,

and insisted in spite of the absurdity of it that manufac-

tures and commerce added nothing to the sum of wealth

above what they took from it, and that the agriculturist

or cultivator was the only real producer.

This weakness in the thinking of the Physiocrats and

the erroneous terminology that it led them to use, finally

discredited their true apprehensions and noble teachings,

unpalatable as they necessarily were to the powerful

interests who seemingly profit by social injustice, until

the rise with the publication of "Progress and Poverty"

of the new Physiocrats, the modern Single Taxers as they

now call themselves and are being called.

But the economists who succeeded Adam Smith, while

they avoided the error into which the Physiocrats had

fallen, avoided as well the great truth of which this had

been an erroneous apprehension, and greedily accepting

the excuse which the Malthusian theory offered for putting

upon the laws of God the responsibility for the misery and

vice that flow from poverty, they fell into and have con-

tinued the habit of regarding land solely from the agri-

cultural point of view, thus converting what is really the

spacial law of all production into an alleged law of dimin-

ishing production in agriculture. Even Ricardo, who

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truly though very narrowly explained the law of rent,

shows in all his arguments and illustrations an inability

to free himself from thinking of land as relating only to

agriculture, and of rent only as agricultural rent. And

although in England the relative importance of agriculture

has during all this century steadily and rapidly declined,

the habit of thinking of land as a place or substance for

agricultural operations is still kept up. Not merely is the

law of diminishing production in agriculture still taught

as a special law of nature in the latest works treated as

authoritative in colleges and universities, but in speaking

of land and of rent, most English writers will be found to

have really in mind agricultural land or agricultural rent

What is true of England is true of the United States

except so far as the influence of the single tax has been

felt. But the greatest difficulty which the single tax prop-

aganda meets in the United States is the wide-spread

idea, sedulously fostered by those who should know better,

that non-agricultural workers have no interest in the land

question and that concentrating taxes on land values

means increasing the taxes of farmers. To fostering this

fallacy all the efforts of the accredited organs of education

are directed.

CHAPTER VII.

THE RELATION OP SPACE IN PRODUCTION.

SHOWING THAT SPACE HAS RELATION TO ALL

MODES OF PRODUCTION.

Matter being material, space must have relation to all production—

This relation readily seen in agriculture— The concentration of

labor in agriculture tends up to a certain point to increase and

then to diminish production— But it is a misapprehension to attrib-

ute this law to agriculture or to the mode of "growing"— It

holds in all modes and sub-divisions of these modes— Instances :

of the production of brick, of the mere storage of brick— Man

himself requires space— The division of labor as requiring space

—Intensive and extensive use of land.

PRODUCTION in political economy means the produc-

tion of wealth. Wealth, as we have seen, consists in

material substances so modified by human labor as to fit

them for the satisfaction of human desires. Space, there-

fore, which has relation to all matter, must have relation

to all production.

This relation of space to all production may be readily

seen in agriculture, which is included in that mode of

production we have called " growing." In this, the con-

centration of labor in space tends up to a certain point to

increase the productiveness of labor; but the point of

greatest productiveness attained, any further concentration

of labor would tend to decrease productiveness. Thus, if

a Robinson Crusoe, having a whole island on which to

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expend his labor, were to plant potatoes, each cutting a

hundred yards apart from every other cutting, he would

necessarily waste so much labor in planting, cultivating

and gathering the crop that the return compared with his

exertion would be very small. He would get a much larger

return were he to concentrate his labor by planting his

potatoes closer; and this increase would continue as he

continued to exert his labor in lesser space, until his plants

became too crowded, and the growth of one would lessen

or prevent that of another. While if he continued the

experiment so far as to put all his cuttings in one spot he

would get no greater return than he might have had from

the planting of one, and perhaps no return at alL

This spacial law of production holds good of course in

labor exerted conjointly, as in labor exerted individually.

On a given area, the application of labor to the growth of

a crop or the breeding of animals may sometimes be

increased with advantage, the exertion of two men pro-

ducing more than twice as much as the exertion of one

man ; that of four men, more than twice as much as the

exertion of two ; and so on. But this increase of produc-

tion with increased application of labor to any given area

cannot go on indefinitely. A point is reached at which

the further application of labor in the given area, though

it may for a time result in a greater aggregate production,

yields a less proportionate production, and finally a point

is reached where the further application of labor ceases

even to increase the aggregate result.

It is misapprehended appreciation of this law in so far

as it applies to agricultural production, which has led to

the formulation and maintenance in economic teaching of

what is called "the law of diminishing productiveness in

agriculture." But the law is not peculiar to agriculture

nor to the second mode of production which I have called

11 growing." It is true that this mode of production con-

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gists in the utilization in aid of labor of the power of

reproduction which characterizes life, and that living

things in their growth and expansion require more space

than things destitute of life. The plants that we grow

require space below the surface of the ground in which to

expand their roots and drink in certain constituents, and

space above the surface in which to expand their leaves

and drink in air and light. And the animals that we breed

require space for their necessary movements. But though

the spacial requirements of living things may be relatively

greater than those of things not living, they are no less

absolute in the one case than in the other. That two

material things cannot exist in the same space is no more

true of brutes than of beets, nor of beets than of bricks.

In every form or sub-division of its three modes the

exertion of human labor in the production of wealth

requires space ; not merely standing or resting space, but

moving space— space for the movements of the human

body and its organs, space for the storage and changing

in place of materials and tools and products. This is as

true of the tailor, the carpenter, the machinist, the mer-

chant or the clerk, as of the farmer or stock-grower, or of

the fisherman or miner. One occupation may require

more elbow-room or tool-room or storage-room than

another, but they all alike require space, and so must come

to a point where any gain from concentrating labor in

space ceases, and further concentration results in a pro-

portionate lessening of product, and finally in an absolute

decline. The same law, first of increasing and then of

diminishing returns, from the concentration of labor in

space, which the first exponents of the doctrine of dimin-

ishing returns in agriculture say is peculiar to that occu-

pation, and its latter exponents say obtains in agriculture,

and in the extraction of limited natural agents, such as

coal, shows itself in all modes of production, and must

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continue to do so, even did we discover some means of

producing wealth by solidifying atmospheric air or an all-

pervading ether, which some modern scientists suppose.

For this alleged " law of diminishing returns in agricul-

ture " is nothing more nor less than the spacial law of

material existence, the reversal or denial of which is abso-

lutely unthinkable.

To see this, let us take a form of production widely

differing from that of agriculture— the production of brick.

Brick is usually made from day, but can be made from other

inorganic substances, such as shale, coal-dust, marble-dust,

slag, etc., and no part of its production involves any use of

the principle of increase that characterizes life. Nor can

any of the substances used in brickmaking be considered

as limited natural substances or agents by any classification

that would not destroy the distinction by including the

whole earth itself as a limited natural agent. The produc-

tion of brick is clearly one of the forms of production

which those who uphold the doctrine of "diminishing

returns in agriculture," or in its extension to the doctrine

of "diminishing returns in the use of limited natural

agents/' would consider a form of production that can be

continued indefinitely by the increased application of labor

without diminishing returns.

Yet we have only to think of it to see that what is called

the law of diminishing returns in agriculture applies to

the making of brick as fully as to the growing of beets.

A single man engaged in making a thousand bricks would

greatly waste labor if he were to diffuse his exertions over

a square mile or a square acre, digging and burning the

clay for one brick here, and for another some distance

apart. His exertion would yield a much larger return

if more closely concentrated in space. But there is a

point in this concentration in space where the increase

of exertion will begin to diminish its proportionate yield.

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concentration of the work of baking bread effects a great

saying of labor in the item of fuel alone. And it is so

with other items.

The saving thus made by the concentration of work

arises not only from physical laws but from mental laws

as well. All our doing or accomplishing of things, except

those that may be referred to instinct, require in the first

place the exertion of conscious thought. We see this in

the child as it learns to walk, to talk, to read and write.

We see this as adults when we begin to do things new to

us, as to speak a foreign tongue, to write shorthand, or

use a typewriter or a bicycle. But as we do the same

things again and again, the mental exertion becomes less

and less, until we come to do them automatically and

without consciously thinking of how we do them.

Now the result of what regarded from the standpoint

of the whole or industrial organism is the separation of

effort or division of labor in the production of wealth,

is that the individual does fewer things but does them

oftener. It is thus from the standpoint of the individual

the concentration of effort or of labor, and so from the

standpoint of the things to be done it involves a similar

concentration in place and time, thus securing the saving

of effort or increased efficiency of exertion which, to recur

to our illustration, comes from doing one thing behind

another and on a large instead of on a small scale.

Thus, when instead of each individual or each family

endeavoring to hunt, fish, obtain vegetables, build habita-

tions and make clothing or tools, for the satisfaction of

their own needs, some devote themselves to doing one

thing and some to doing another of the things required

for the satisfaction of the general needs, what is the

separation of function from the standpoint of the all or

industrial whole is the concentration of function in its

units, and special trades and vocations are developed.

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And as the social organism grows by increase in numbers

or the widening of the circle of exchanges, or both, this

differentiation of function between its units tends con-

stantly to increase, augmenting the efficiency of the

productive powers of man to a degree to which we can

assign no limits, and of which the marvelous increase in

productive power which so strikingly characterizes our

modern civilization affords but a faint forecast

In civilized society where the division of labor has been

carried to great lengths, we are so used to it that it is hard

to realize how much we owe to it, and how utterly different

our life would be without it. But as one tries to think to

what we should be reduced without division of labor, he

will see how large is the part it plays in the production of

wealth— so large, indeed, that without it man as we know

him could not exist. Take for instance the providing of

clothing. If each one had to make his own clothing from

the raw material, he could get nothing better than leaves

or skins. Even with all the advantages which the division

of labor gives in the making of cloth, of needles, thread,

buttons, etc., let any one unused to it set himself to the

making of a garment. He will soon realize how hard it

is to make the first one ; how much easier and better the

second is made than the first, the third than the second,

and so on, until the process ceases to require thought and

becomes automatic. When by means of the division of

labor, the making of clothing is so far concentrated that

the clothing for some dozens or scores of men can be made

together, then individuals can devote themselves solely to

the making of clothes, with greatly increased economy.

As the concentration of clothes-making proceeds further,

and the making of clothes for hundreds, thousands, tens

of thousands, and even hundreds of thousands of indi-

viduals is by the development of the ready-made clothing

industry brought together, greater and greater economies

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become possible. Separate individuals devote themselves

to the making of particular garments, and then to the

making of particular parts or to particular processes.

Instead of one tailor cutting out a garment with a pair

of shears and then proceeding to make it in all its parts,

cutters who do nothing else cut out scores of garments at

once with great knives ; the operations of basting, lining,

buttonholing, etc., are performed by different people who

devote themselves to doing these things alone, and whose

work is aided by powerful machines, the use of which

becomes possible with the larger scale and greater

continuity of employment this concentration permits.

It is this concentration and specialization of work, with

the division of labor, that brings about the development of

labor-saving machinery of all kinds. The essential quality

of the machine is its adaptation for the doing of certain

special things. The human body considered as a machine

is of all machines that which is best adapted for the doing

of the greatest variety of things. But for doing only one

thing, for the increase of quantity at the expense of variety,

man is able to make machines which within a narrow

range are far superior to the tools nature gives him. And

the same principle governs the employment of forces other

than the force he can command in his muscles. The

utilization of winds and tides and currents and falling

streams, of steam and of electricity, and chemical attrac-

tions and repulsions, is dependent on this concentration.

Thus the division of labor involves and proceeds from

the concentration of effort for the satisfaction of desires.

It begins when there are two individuals who cooperate ;

it increases and becomes productive of greater and greater

economies with the increase of the number who thus

cooperate.

Adam Smith, who begins his "Wealth of Nations" by

considering how cooperation increases the productive

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powers of mankind, which he styles "the division of

labor," refers to the economy which it produces under

three heads :

1. The increased dexterity of workmen.

2. The saving of time by the greater continuity of

employment.

3. The economy effected by the use of machinery.

But on a larger and fuller survey we may perhaps best

analyze the advantages that result from the cooperation

of labor as follows :

A. The combination of labor permits a number of

individuals by direct union of their powers to accomplish

what severally would be impossible.

B. The division of labor, with the concentration and

cooperation it involves, permits the doing for many (or a

larger number) of what may with a less expenditure be

done by one (or by a smaller number) :

1. By the saving of time and effort, as in the preceding

illustration, where one man goes on a journey which to

accomplish severally four men would have to make.

2. By utilizing the differing powers of individuals, as

where those who excel in physical strength devote them-

selves to things requiring physical strength, while those

who are inferior in physical strength do the things which

require less physical strength, but for which they are

otherwise just as capable, thus producing the same net

results as would a bringing up of all to the highest level

of physical strength ; or where those who excel in other

qualities do the things for which such qualities are best

adapted, thus practically bringing up the level of the

accomplishment of all to that of the highest qualities of

each.

3. By increasing skill, consequent upon those who do a

larger amount of that same kind of work being able to

acquire facility in it.

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4. By accumulating knowledge. The same tendency

which increases the incommunicable knowledge called

skill, also tends to increase the communicable knowledge

properly so called, which consists in a knowing of the

relations of things to other external things, and which

constitutes a possession of the economic body or Greater

Leviathan, transferable by writing or similar means.

5. By utilizing the advantages of doing things on a

large scale instead of on a small scale, and of doing them

successively instead of separately.

6. By utilizing the natural forces, and by the invention

and use of machines and of improved processes, for the

use of which the large scale of production gives advan-

tages.

CHAPTER X.

COOPERATION-ITS TWO KINDS.

SHOWING THE TWO KINDS OF COOPERATION, AND HOW THE

POWER OF THE ONE GREATLY EXCEEDS THAT OF THE

OTHER.

The kind of cooperation which, as to method of union or how of

initiation, results from without and may be called directed or con-

scious cooperation— Another proceeding from within which may

be called spontaneous or unconscious coflperation— Types of the

two kinds and their analogues— Tacking of a full-rigged ship and

of a bird—Intelligence that suffices for the one impossible for the

other— The savage and the ship— Unconscious cooperation re-

quired in ship-building— Conscious cooperation will not suffice for

the work of unconscious— The fatal defect of socialism— The

reason of this is that the power of thought is spiritual and cannot

be fused as can physical force— Of "man power" and "mind

power "—Illustration from the optician— Impossibility of social-

ism—Society a Leviathan greater than that of Hobbes.

WE have seen that there are two ways or modes in

which cooperation increases productive power. If

we ask how cooperation is itself brought about, we see

that there is in this also a distinction, and that cooperation

is of two essentially different kinds. The line of distinc-

tion as to what I have called the ways of cooperation, and

have in the last chapter considered, is as to the method of

action or how of accomplishment ; the line of distinction

as to what I shall call the kinds of cooperation, and am

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about in this chapter to consider, is as to the method of

union or how of initiative.

There is one kind of cooperation, proceeding as it were

from without, which results from the conscious direction

of a controlling will to a definite end. This we may call

directed or conscious cooperation. There is another kind

of cooperation, proceeding as it were from within, which

results from a correlation in the actions of independent

wills, each seeking but its own immediate purpose, and

careless, if not indeed ignorant, of the general result. This

we may call spontaneous or unconscious cooperation.

The movement of a great army is a good type of

cooperation of one kind. Here the actions of many

individuals are subordinated to and directed by one

conscious will, they becoming, as it were, its body and

executing its thought. The providing of a great city

with all the manifold things which are constantly needed

by its inhabitants is a good type of cooperation of the

other kind. This kind of cooperation is far wider, far

finer, far more strongly and delicately organized, than the

kind of cooperation involved in the movements of an

army, yet it is brought about not by subordination to the

direction of one conscious will, which knows the general

result at which it aims ; but by the correlation of actions

originating in many independent wills, each aiming at its

own small purpose without care for or thought of the

general result.

The one kind of cooperation seems to have its analogue

in those related movements of our body which we are able

consciously to direct. The other kind of cooperation

seems to have its analogue in the correlation of the

innumerable movements, of which we are unconscious,

that maintain the bodily frame— motions which in their

complexity, delicacy and precision far transcend our

powers of conscious direction, yet by whose perfect

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adjustment to each other and to the purpose of the whole

that cooperation of part and function that makes up the

human body and keeps it in life and vigor is brought

about and supported.

A beautiful instance of cooperation of the first kind is

furnished by the tacking of a square-rigged ship under

full sail. The noble vessel, bending gracefully to the

breeze, under her cloud of canvas, comes driving along,

cleaving white furrows at her bow and leaving a yeasty

wake at her stern. Suddenly her jibs fly free and her

spanker flattens, as she curves towards the wind; her

foreyards round in and their sails begin to shake, and at

length, as what were their weather braces are hauled

taut, to fill on the other side. The after sails that at first

held the wind as before, begin in their turn to spill; then

their yards are shifted, and they too take the wind on a

different side ; and with every sheet and tack in its new

place the vessel gathering again her deadened headway,

begins to drive the foam from her bow as she bends on the

other side to cut her way in a new direction. So har-

monious are her movements, so seemingly instinct with

life, that the savage who sees for the first time such a

vessel beating along the coast might take her for a great

bird, changing its direction with the movement of its

wings as do sea-gull and albatross.

And between ship and bird there are certain resem-

blances. Both are structures in which various parts are

combined into a related whole and distinct motions are

correlated in harmonious action. And in both movement

is produced by the varying angles at which flat surfaces

are by a mechanism of joints and ligaments exposed to

the impact of air. In a bird, however, the parts in their

motions obey instinctively and unconsciously the prompt-

ings of the conscious will. But in the ship the motions of

the parts are produced by the distinct action of a number

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of conscious wills, ranging from one or two dozen in a

merchant vessel to several hundred in an old-fashioned

ship of war. Their cooperation is produced, not in-

stinctively and unconsciously, but by intelligent obedience

to the intelligent orders of one directing will, which

prescribes to every man his place and function, directing

when, how, and by whom, each motion shall be made.

The bird veers, because when it wills to veer, nerve and

tendon directly respond with the necessary motions. The

ship tacks because the separate wills that manage her

rudder and sails consciously obey the successive commands

which prescribe each of the necessary motions from the

first order, "PuU for stays! "to the last, "Belay all!\* A

series of intelligent directions, consciously obeyed by those

to whom they are addressed, bring about and correlate the

movements of the parts.

Nor could the maneuvers of a ship be carried on without

such intelligent direction. Any attempt to substitute

independent action, no matter how willing, for responsive

obedience to intelligent direction would be certain ere

long to result as in the traditional coasting schooner,

manned by two— captain and mate— where the captain

who was steering, irritated by some gratuitous advice of

the mate who was tending jib-sheets, yelled out to him,

" You run your end of this schooner and Pll run mine ! "

Whereupon there was a rattle of chain at the bow, and the

mate yelled back, " Captain, I've anchored my end of this

schooner ; you can run your end where you choose ! n

Now, much of the cooperation of man in producing

social effects is of the nature of that by which a ship is

sailed. It involves the delegation to individuals of the

power of arranging and directing what others shall do,

thus securing for the general action the advantages of

one managing and correlating intelligence. But while

cooperation of this kind is indispensable to producing

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certain results by conjoined action, it is helpless or all but

helpless to bring about certain other results involving a

longer series and more complicated and delicate actions

and adjustments.

To continue our illustration : The bird structurally is

a machine as the ship is a machine, which the conscious

will of the bird, controlling certain voluntary movements,

causes to rise or fall, to sweep in this direction or in that,

to be carried with the gale or to tack in its teeth, in short

to execute all the movements, sometimes swift and some-

times slow, but nearly always graceful, of which this bird

machine is capable. But the conscious will that controls

the voluntary motions of the bird ; the intelligence that is

the captain of this aerial craft, will not account for the

machine itself; for its consummate arrangements and

adjustments and adaptions. These not merely infinitely

transcend the intelligence of the bird, but of the highest

human intelligence. The union of lightness with strength,

of rigidity with flexibility, of grace with power ; the appro-

priateness of material, the connection and relation of parts,

the economies of space and energy and function, the

applications of what are to us the most complex and

recondite of physical laws, make the bird as a machine, as

far superior to the best and highest machines of man's

construction, as the paintings of the great master are to

the rude slate-drawings of the prattling child.

The bird is not a construction as man's machines are

constructions. It was not built, but grew. Its first

tangible form, as far as we can trace it, was a limy envelop

containing a substance called the yolk, swimming in a

sticky fluid, the white. Under certain conditions and

without external influence except that of gentle and

continued heat, the molecules of the contained substance

began, by some influence from within, and seemingly, of

themselves, to range themselves into cells, and cells to

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form into tissue and bone, and turning in related order

into heart and lungs, backbone and head, stomach and

bowels, brain and nerve, wings and feet, skin and feathers,

until at length a tiny living thing pecked its way out,

leaving an empty shell, and with a little eating and sleeping,

a little hardening of gristle and lengthening of feathers,

the "it" of it, the new captain of the new air-ship, began

to try rudder and sails and paddles, until having " learned

the ropes," and got accustomed to the measurement of

distance and the "feel" of motion, it started off boldly to

skim and to soar, to get food and digest it, to live its life

and propagate its kind.

The veriest savages must at times ponder over the

mystery of the egg, as we civilized men at times ponder

over the mystery of common things— for to them as to us

it would be an insoluble mystery. But it is the ship,

not the bird, that would most excite their wonder and

admiration, for the savage would see in the ship as soon

as he came close to it, not a thing that grew, but a thing

that was made— a higher expression of the same power

which he himself exercises in his own rude constructions.

He would see in it, when he came to look closely, but a

vastly greater and better canoe, and would wonder and

admire as he who has begun to paint stands in wonder and

admiration before the picture of a master, which one who

knew nothing of the difficulties of the art would pass with

little notice. As the savage would understand the kind of

cooperation called into play in the managing of a vessel,

so would he attribute the building of the vessel to coopera-

tion of the same kind. Since a larger canoe than one man

can build may be built by the same man if he can unite

the exertions of others in cutting, rolling, hewing and

hollowing a great log, so would it seem to our savage that

it was in this way that the ship of civilization was built.

And the admiration which the ship would excite in him

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would be an admiration of the men who sailed it, whom

he would naturally take to be the men who built it, or at

least to be men who could build it. The superiority of

the ship to the rude canoes with which he was familiar he

would attribute to superiority of their personal qualities

—their greater knowledge and skill and power. They

would indeed seem to him at first as very gods.

Yet the savage would be wrong. The superiority of the

ship does not indicate the superiority of individual men.

If driven ashore with the loss of their ship and all its

contents, these men would be more helpless than so many

of his own people, and would find it more difficult to make

even a canoe. Even if they had saved tools and stores, it

would be only after long toil that they could succeed in

building some rude, small craft unfitted for a long voyage

and rough weather, and not in any respect comparable with

their ship. For a modern ship is rather a growth than a

direct construction in that as between the kind of coopera-

tion required for its production and that which suffices for

that of a canoe, there is a difference which suggests some-

thing not altogether unlike the difference between a work

of nature and a work of man.

The cooperation required in the making of a large

canoe or in the sailing of a ship is exceedingly simple

as compared to that involved in the construction and

equipment of a well-found, first-class ship. The actual

putting together, according to the plans of the naval

architect, of the separate parts and materials which com-

pose such a ship, would require, after they had been

assembled, some directed cooperation. But if cooperation

of this kind could suffice for even putting the parts

together after they had been made and assembled, how

could it suffice for making those various parts from the

forms in which nature offers their material, and assembling

them in the place where they were to be put together T

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Consider the timbers, the plonks, the spars ; the iron and

steel of various kinds and forms ; the copper, the brass,

the bolts, screws, spikes, chains; the ropes, of steel and

hemp and cotton; the canvas of various textures; the

blocks and winches and windlasses ; the pumps, the boats,

the sextants, the chronometers, the spy-glasses and patent

logs, the barometers and thermometers, charts, nautical

almanacs, rockets and colored lights ; food, clothing, tools,

medicines and furniture, and all the various things, which

it would be tiresome fully to specify, that go to the con-

struction and furnishing of a first-class sailing-ship of

modern type, to say nothing of the still greater complexity

of the first-class steamer. Directed cooperation never did,

and I do not think in the nature of things it ever could,

make and assemble such a variety of products, involving

as many of them do the use of costly machinery and

consummate skill, and the existence of subsidiary products

and processes.

When a ship-builder receives an order for such a ship

as this he does not send men into the forest, some to cut

oak, others to cut yellow pine, others to cut white pine,

others to cut hickory and others still to cut ash and lig-

num- vit® ; he does not direct some to mine iron ore, and

others copper ore, and others lead ore, and others still to

dig the coal with which these ores are to be smelted, and

the fire-clay for the smelting-vessels ; some to plant hemp,

and some to plant cotton, and others to breed silkworms ;

some to make glass, others to kill beasts for their hides

and tallow, some to get pitch and rosin, oil, paint, paper,

felt and mercury. Nor does he attempt to direct the

manifold operations by which these raw materials are to

be brought into the required forms and combinations, and

assembled in the place where the ship is to be built. Such

a task would transcend the wisdom and power of a Solomon.

What he does is to avail himself of the resources of a high

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civilization, for without that he would be helpless, and to

make use for his purpose of the unconscious cooperation

by which without his direction, or any general direction,

the efforts of many men, working in many different places

and in occupations which cover almost the whole field of

a minutely diversified industry, each animated solely by

the effort to obtain the satisfaction of his personal desires

in what to him is the easiest way, have brought together

the materials and productions needed for the putting

together of such a ship.

He buys of various dealers in such things, knees, beams,

planking, spars, sails, cables, ropes, boats, lanterns, flags,

nautical instruments, pumps, stoves; and he probably

contracts for various parts of the work of putting together

the hull, such as calking, sheathing, painting, etc.; of

making the sails and rigging the spars. And each of

these separate branches of collation and production will

be found on inquiry to reach out and ramify into other

branches having necessary relations with still other

branches. So far from any lifetime sufficing to acquire,

or any single brain being able to hold, the varied know-

ledge that goes to the building and equipping of a mod-

ern sailing-ship, already becoming antiquated by the still

more complex steamer, I doubt if the best-informed man

on such subjects, even though he took a twelvemonth to

study up, could give even the names of the various sepa-

rate divisions of labor involved.

A modern ship, like a modern railway, is a product

of modern civilization ; of that correlation of individual

efforts in which what we call civilization essentially con-

sists; of that unconscious cooperation which does not

come by personal direction, as it were from without, but

grows, as It were from within, by the relation ol the

efforts of individuals, each seeking the satisfaction of

individual desires. A mere master of men, though he

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might command the services of millions, could not make

such a ship unless in a civilization prepared for it. A

Pharaoh that built pyramids, a Genghis Khan who raised

mounds of skulls, an Alexander, a Caesar, or even a

Henry VIII. could not do it.

The kind of cooperation which I have illustrated by

the tacking of a ship is a very simple matter. It could be

readily taught, the difficulties of language aside, to Malays,

or Somalis, or Hindus, or Chinamen, or to the men who

manned the Roman galleys or the viking ships. But that

kind of cooperation which is involved in the making of

such a ship is a much deeper and more complex matter.

It is beyond the power of conscious direction to order or

bring about. It can no more be advanced or improved

by any exertion of the power of directing the conscious

actions of men than the conscious will of the individual

can add a cubit to his stature. The only thing that

conscious direction can do to aid it is to let it alone ; to

give it freedom to grow, leaving men free to seek the

gratification of their own desires in the ways that to them

seem best. To attempt to apply that kind of cooperation

which requires direction from without to the work proper

for that kind of cooperation which requires direction from

within, is like asking the carpenter who can build a

chicken-house to build a chicken also.

This is the fatal defect of all forms of socialism— the

reason of the fact, which all observation shows, that any

attempt to carry conscious regulation and direction beyond

the narrow sphere of social life in which it is necessary,

inevitably works injury, hindering even what it is intended

to help.

And the rationale of this great fact may, I think, at least

in some measure, be perceived when we consider that the

originating element in all production is thought or intel-

ligence, the spiritual not the material. This spiritual

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element, this intelligence or thought power as it appears

in man, cannot be combined or fused as can material force.

Two men may pull or push twice as much as one man,

and the physical force of one hundred thousand men

properly brought to bear will one hundred thousand times

exceed the physical force of a single man. But intelligence

cannot be thus aggregated. Two men cannot see twice as

far as one man, nor a hundred thousand determine one

hundred thousand times as well. If it be true that " In a

multitude of counselors there is wisdom," it is only in the

sense that in a large comparison of views and opinions

eccentricities and aberrations are likely to be eliminated.

But in this elimination the qualities necessary for superior

judgment and prompt direction are also lost. No one ever

said, " In a multitude of generals there is victory." On

the contrary the adage is, " One poor general is better than

two good ones."

In the first kind of cooperation, as for example, when

ten men pull on the same rope in the same way in obedience

to the direction of one man, there is a utilization of the

physical force of ten at the direction of the mental force

of one. But there is at the same time a loss or rather

non-utilization of the mental force of ten. The result can

be no greater than if the ten men who are pulling were for

the time utterly devoid of intelligence— mere automata.

And we can readily conceive of such extensions in the

applications of machinery to the utilization of natural

physical forces that the captain of a ship might by touching

an electrical keyboard, so give responsive motion to rudder,

sheets and braces, as to tack ship without a crew, which

would be a long approach in the mechanism of a ship to

the mechanism of a bird.

But in the kind of cooperation that I have called

spontaneous, where the direction comes from within, what

is utilized in production is not merely the sum of the

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In the same superficial area required for the production of

one brick, two bricks may be produced to advantage. But

this concentration of labor in space cannot be continued

indefinitely without diminishing the return and finally

bringing production to a stop. To get the clay for a

thousand bricks without use of more surface of the earth

than is required to get the clay for one brick, would involve,

even if it were possible at all, an enormous loss in the

productiveness of the labor. And so if an attempt were

made to put a thousand men to work in making brick on

an area in which two men might work with advantage,

the result would be not merely that the exertion of the

thousand men could not produce five hundred times as

much as the exertion of two men, but that it would produce

nothing at all. Men so crowded would prevent each other

from working.

Or let us take that part of the production of bricks that

of all parts requires least space— that which consists merely

in the storage of bricks after they are made, so as to have

them in readiness when required.

Two bricks must occupy twice as much cubical space as

one brick. But if placed one on top of the other, the two

require for resting-place no more superficial area than the

one ; while, as it requires on the part of a man of ordinary

powers practically no more exertion to lay down or take

up two bricks on the same surface than to lay down or

take up one, there would be a greater gain in the produc-

tiveness of labor so applied to the storage of brick than if

applied to the storing of brick side by side on the surface

of the ground. But this economy in the storage of brick

could not be continued indefinitely. Though two bricks

may be rested one on top of the other without any more

use of superficial area than is required for the resting of

one brick, this is not true of a thousand bricks, nor even

of a hundred. Much less than a hundred bricks so placed

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as to rest upon the superficies required for the resting of

one brick would become so unstable as to fall with the

slightest jar or breeze. Before ten or even half a dozen

bricks had been rested one on top of another it would

become evident that any further extension of the perpen-

dicular would require a further extension of base. And

even with such extension of base as would permit of per-

pendicular solidity, a point would finally be reached

where, even if the surface continued solid, the weight of

the upper bricks would crush the lower bricks to powder.

Thus it is no more possible indefinitely to store bricks on

a given area than on a given area indefinitely to grow

beets.

Up to a point, moreover, which is about waist-high for

an ordinary man, it requires less exertion to place or take

from place the last brick than the first brick, or in other

words, labor at this point is more productive. But this

point of greatest productiveness reached, the productive-

ness of labor begins to decline with the further application

of labor on the same area, until the point of no return or

non-productiveness is reached. The reaching of this point

of no return to the further application of labor in the

storing of bricks on a given area may be delayed by the

invention and use of such labor-saving devices as the

wheelbarrow and steam-engine, but it cannot be prevented.

There is a point in the application of labor to the storage

of bricks on any given area, whether a square foot or a

square mile, where the application of successive " doses of

labor " (to use the phrase of the writers who have most

elaborately dwelt on this assumed "law of diminishing

productiveness in agriculture") must cease to yield pro-

portionate returns, and finally where they must cease to

yield any return.

Thus the law of diminishing returns which has been

held as peculiar to agriculture is as fully shown in the

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mere storage of bricks as it is in the growing of crops or

the breeding of animals. It is quite as true that all the

bricks now needed in the three kingdoms could not be

stored on a single square yard, as it is that all the food

needed in the three kingdoms could not be grown on a

single acre. The point of greatest efficiency or maximum

productiveness in the application of labor to land exists in

all modes and all forms of production. It results in fact

from nothing more nor less than the universal law or

condition that all material existence, and consequently all

production of wealth, requires space.

Nor has the spacial requirement of production merely

regard to the material object of production ; it has regard

as well to the producer— to labor itself. Man himself is

a material being requiring space for his existence even

when in the most passive condition, and still more space for

the movements necessary to the continuous maintenance

of life and the exertion of his powers in the production of

wealth. For an hour or two men may, as in listening to

a speech or looking at a spectacle, remain crowded together

in a space which gives them little more than standing-room.

But to bring a few more into such a crowd would mean

illness, death, panic. Nor in such narrow space as men

may for a while safely stand, could life be maintained for

twenty-four hours, still less any mode of producing wealth

be carried on.

The division of labor permits the concentration of work-

ers whose particular parts in production require compara-

tively little space, and by building houses one story above

another in our cities we economize superficial area in fur-

nishing dwelling and working places in much the same way

as by storing bricks one upon another. Improvements in

the manufacture of steel and in the utilization of steam and

electricity have much increased the height to which such

structures can be carried, and we already have in our

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large American cities buildings of over twenty stories in

which production of some sort is carried on. But though

the requirement of superficial area may thus be pressed

back a little by making use of cubical area (and in the

tallest buildings of New York and Chicago rent is estimated

in cubic not in square feet) this is only possible to a slight

degree. The intensive use of land shown in the^twenty-

story building is in fact made possible by the extensive

use of land brought about by improvements in transpor-

tation, and every one of these monstrous buildings erected

lessens the availability of adjoining land for pimilar

purposes.

CHAPTER Vm.

THE RELATION OF TIME IN PRODUCTION.

SHOWING THAT ALL MODES OP PRODUCTION HAVE

RELATION TO TIME.

Difference between apprehensions of space and time, the one objec-

tive, the other subjective— Of spirits and of creation— All pro-

duction requires time— The concentration of labor in time.

A

\S space is the relation of things in extension, so time

is the relation of things in sequence.

But time, the relation of sequence, seems when we think

of it, to be, so to speak, wider than space, the relation of

extension. That is to say, space is a quality or affection

of what we call matter ; and while we conceive of imma-

terial things which having no extension have no relation

,, in space, we cannot conceive of even immaterial things as

^ having no relation in sequence.

Our apprehension of space is through our senses, the

direct impressions of which are uncertain and misleading,

but which we habitually verify and correct and give some

sort of exactness to, through other impressions of our

senses. Our first and simplest measure of space is in the

impression of relative distance produced through the sight,

or in the feeling of exertion required to move ourselves or

some other object from point to point, as by paces or

stone's throw or bow-shot; and these give way to more

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exact measurements, such as by lines, inches, feet, miles,

diameters of the earth or of the earth's orbit. Deprived

of the senses, which make us cognizant of matter, it is

impossible to see how we could have any impression or

idea of space.

Our impression of time, however, is not primarily

through our senses. Though we correct and verify and

give some exactness to it through them, there is a purely

subjective apprehension of time in our own mental impres-

sions or thoughts, which do not come all at once, but

proceed or succeed one another, having to each other a

relation of sequence. It is through this succession of

mental impressions that we are in the first place and directly

conscious of time. But while our direct consciousness of

space must vary widely, our direct impressions of time are

more variable still, since they depend upon the rapidity

and intensity of mental impressions. We may seem to

have lived through years in the intense activity of a vivid

dream, and to be utterly unconscious of the passage of

time in a sound sleep. And while we can conceive the

impression of space to be very different on the part of a

sloth and that of a greyhound, it may be that the brief

day of an animalcule may seem as long to it as does a

century of life to the larger elephant.

But the reason of man enables him to obtain more exact

measures of sequence from the uniformities of natural

phenomena, such as days or years, moons or seasons, and

from the regularity of mechanical movement as by sand-

glasses or dials, or by clocks or watches.

Time seems indeed to be necessary to and in some degree

coincident with all perceptions of space. But space does

not seem necessary to time. That is to say, we seem to be

able to imagine an immaterial being, or pure intelligence,

not limited by or having necessary consciousness of

relations of extension, and this is the way in which we

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usually think of unembodied spirits, such as angels or

devils ; and of disembodied spirits, such as ghosts. But

we cannot really think thus of them with regard to relations

of sequence. We can indeed think of them as knowing

nothing and regarding nothing of our measures of time—

of a day being to them as a thousand years, or a thousand

years as a day, for that these measures are only relative

we can see for ourselves. But we can also see that in the

realm of spirit there is and must be the same relation of

preceding and succeeding, of coming before and coming

after, as in the realm of matter; and that this relation of

sequence or time is really clearer and closer to that in us

which we must think of as our immaterial part than is

that of extension or space to our physical parts.

We usually think of creation, the bringing into existence

by a power superior to and anterior to that of man, as

taking place at once as by the Divine fiat : " God said, Let

there be light : and there was light." But it would seem

on analysis, that in this way of thinking we are considering

rather the mental action which we conceive of as in itself

immaterial— which our experience so far as it goes, and

our reason so far as it can reach, teach us must lie back

of all material expression— than of the material expres-

sion itself. All speculations and theories of the origin

of the cosmos, all religions which are their popular ex-

pression, conceive of the appearance of material phenom-

ena as in order or sequence, and consequently in time.

Save in its childlike measurement of time by days, the

ancient Hebrew account of the genesis of the material

world recognizes this necessary order or sequence as

fully as do modern scientists, for whose almost as vague

measurements millenniums are too short. And so far as

we can see, thought itself is in sequence and requires time,

and its continued exertion brings about weariness. It, at

any rate, seems to me that if we consider the essential and

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not merely the crude expression of the Hebrew scripture

that in six days God created the heavens and the earth

and rested on the seventh, it may embody a deep truth—

the truth that exertion, mental as physical, requires a

season of rest.

But, all such speculations aside, it is certain that all

production of wealth takes place in sequence and requires

time. The tree must be felled before it can be hewn or

sawed into lumber ; lumber must be seasoned before it can

be used in building or wrought into the manifold articles

made of wood. Ore must be taken from the vein before

it can be smelted into iron, or from that form turned into

steel or any of the manifold articles which by subsequent

processes are made from iron or steel. Seeds must be

planted before they can germinate; there must be a

considerable interval of time before the young shoots can

show themselves above the ground ; then a longer interval

before they can grow and ripen and produce after their

order ; grain must be harvested and ground before it can

be converted into meal or flour or changed by labor from

that form into other forms which gratify desire, all of

which, like fermenting and baking, require time. So, in

exchanging, time is required even for the concurrence

and expression of human wills which result in the agree-

ment to exchange, and still more time for the actual

transference of things which completes the exchange. In

short, time is a necessary element or condition in all

exertion of labor in production.

Now, from this necessary element or condition of all

production, time, there result consequences similar to those

which result from the necessary element or condition of

all production, space. That is to say, there is a law

governing and limiting the concentration of labor in time,

as there is a law governing and limiting the concentration

of labor in space. Thus there is in all forms of production

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a point at which the concentration of labor in time gives

the largest proportionate result ; after which the further

concentration of labor in time tends to a diminution of

proportionate result, and finally to prevent result.

Thus there is a certain degree of concentration of labor

in time (intensity of exertion), by which the individual can

in any productive occupation accomplish on the whole the

largest result. But if a man work harder than this,

endeavoring to concentrate more exertion in a shorter

time, it will be to the relative and finally to the absolute

loss of productiveness— a principle which gives its point

to the fable of the hare and the tortoise.

And so, if I go to a builder and say to him, "In what

time and at what price will you build me such and such a

house T " he would, after thinking, name a time, and a price

based on it. This specification of time would be essential,

and would involve a certain concentration of labor in time

as the point of largest return or least cost. This I would

soon find if, not quarreling with the price, I ask him largely

to lessen the time. If I be a man like Beckf ord— the author

of "Vathek," for whom Fonthill was built by relays of

workmen, who lighted up the night with huge fires— a

man to whom cost is nothing and time everything, I might

get the builder somewhat to reduce the time in which he

would agree, under bond, to build the house ; but only by

greatly increasing the price, until finally a point would

be reached where he would not consent to build the house

in less time no matter at what price. He would say:

" Although I get bricks already made, and boards already

planed, and stairs and doors, and sashes and blinds, and

whatever else may be obtained from the mill, and no

matter how many men I put on and how much I disregard

economy, the building of a house requires time. Cellar

cannot be dug and foundations raised, and walls built and

floors laid, and roof put on, and partitioning and plastering,

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and plumbing, and painting and papering be done all at

once, but only one after another, and at the cost of time

as well as labor. The thing is impossible."

And so, although the concentration of labor in agricul-

ture may with decreasing efficiency hasten beyond the

normal point the maturity of vegetables or fruit or even

of animals, yet the point of absolute non-productiveness

of further applications of labor is soon reached, and no

amount of human exertion applied in any way we have yet

discovered could bring wheat from the seed to the ear, or

the chick from the egg to the laying hen, in a week.

The importance in political economy of this principle

that all production of wealth requires time as well as labor

we shall see later on; but the principle that time is a

necessary element in all production we must take into

account from the very first.

CHAPTER IX.

COOPERATION-ITS TWO WAYS.

SHOWING THE TWO WAYS OP COOPERATION.

Cooperation is the union of individual powers in the attainment of

common ends— Its ways and their analogues : (1) the combination

of effort ; (2) the separation of effort— Illustrations : of building

houses, of joint-stock companies, etc.— Of sailing a boat— The

principle shown in naval architecture— The Erie Canal— The bak-

ing of bread— Production requires conscious thought— The same

principle in mental effort— What is on the one side separation is

on the other concentration— Extent of concentration and speciali-

zation of work in modern civilization— The principle of the ma-

chine—Beginning and increase of division of labor— Adam

Smith's three heads— A better analysis.

COOPERATION means joint action; the union of

efforts to a common end. In recent economic writings

the word has been so much used in a narrower sense that

its meaning in political economy is given in the latest

American dictionary (the Standard) as "a union of

laborers or small capitalists for the purpose of advanta-

geously manufacturing, buying and selling goods, and

of pursuing other modes of mutual benefit; also, loosely,

profit-sharing."

This is a degradation of a word that ought not to be

acquiesced in, either in the interests of the English language

or in the interests of political economy, and at the risk of

being misunderstood by those who have become accus-

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tomed to associate it with trivial schemes of profit-sharing

or namby-pamby " reconciliations " of capital and labor, I

shall use it as an economic term in its full meaning-

understanding by cooperation that union of individual

powers in the attainment of common ends which, as already

said (Book L, Chapter V.), is the means whereby the

enormous increase of man's power that characterizes

civilization is secured.

All increase in the productive power of man over that

with which nature endows the individual comes from the

cooperation of individuals. But there are two ways in

which this cooperation may take place.

1. By the combination of effort. In this way, indi-

viduals may accomplish what exceeds the full power of the

individual.

2. By the separation of effort. In this way, the indi-

vidual may accomplish for more than one what does not

require the full power of the individual.

This first way of cooperation may be styled the com-

bination of labor, though perhaps the most distinctive term

that could be used for it would be, the multiplication of

labor, since the second way is well known by the term

Adam Smith adopted for it, " the division of labor."

The one, the combination of labor, is analogous to the

application in mechanics of that principle of the lever by

which larger masses are moved in shorter distance or

longer time, as in the crowbar. The other, the division of

labor, is analogous to the application of that principle of

the lever by which smaller masses are moved in longer

distance or shorter time, as in the oar.

To illustrate : The first way of cooperation, the com-

bination of labor, enables a number of men to remove a

rock or to raise a log that would be too heavy for them

separately. In this way men conjoin themselves, as it

were, into one stronger man.

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Or to take an example so common in the early days of

American settlement that " log-rolling" has become a term

for legislative combination : Tom, Dick, Harry and Jim

are building near each other their rude houses in the

clearings. Each hews his own trees, but the logs are too

heavy for one man to get into place. So the four unite

their efforts, first rolling one man's logs into place and

then another's, until the logs of all four having been placed,

the result is the same as if each had been enabled to

concentrate into one time the force he could exert in four

different times. Examples of the same principle in a

more elaborate state of society are to be found in the

formation of joint-stock companies— the union of many

small capitals to accomplish works such as the building of

railroads, the construction of steamships, the erection of

factories, etc., which require greater capitals than are

possessed by one man.

But while great advantages result from the ability of

individuals, by the combination of labor, to concentrate

themselves as it were into one larger man, there are other

times and other things in which an individual could

accomplish more if he could divide himself, as it were,

into a number of smaller men.

Thus in sailing a boat, one man of extraordinary strength

would be equal to two men of half his strength only in

such exertions as rowing, hoisting the heavier sails, or the

like. In other things, two men of ordinary strength would

be able to do far more than the one man of double strength,

since where he would have to stop one thing to do another,

they could do both things at once. Thus while he would

have to anchor in order to rest, they could move on without

stopping, one sailing the boat while the other slept. There

was a King Alphonso of Castile, celebrated by Emerson,

who wished that men could be concentrated nine into one.

But the loss of available power that would thus result

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would soon be seen. How often now when beset by calls

or duties which require, not so much strength as time,

does the thought occur, " I wish I could divide myself into

half a dozen." What the division of labor does, is to permit

men, as it were, so to divide themselves, thus enormously

increasing their total effectiveness.

To illustrate from the example used before : While at

times Tom, Dick, Harry and Jim might each wish to move

logs, at other times they might each need to get something

from a village distant two days' journey. To satisfy this

need individually would thus require two days' effort on

the part of each. But if Tom alone goes, performing the

errands for all, and the others each do half a day's work

for him, the result is that all get at the expense of half a

day's effort on the part of each what otherwise would have

required two days' effort.

It is in this manner that the second way of cooperation,

the separation of effort, or to continue the term adopted by

Adam Smith and sanctioned by long usage, the division of

labor, saves labor ; that is to say, permits the accomplish-

ment of equal results with less exertion, or of larger results

with equal exertion. But out of this primary saving of

exertion arise other savings of exertion.

Let me illustrate from a domain outside of political

economy the general principle from which these gains

proceed. Nothing, perhaps, better shows the flexibility of

the human mind than naval architecture. Yet, from the

rude canoe to the monster ironclad, in all the endless

variety of form that men have given to vessels intended

to be propelled through the water, one principle always

obtains. We always make such vessels longer than they

are broad. Why is it that we do so f It is that a vessel

moving through the water has two main points of resistance

to overcome— (1) the displacement of the water at her bow,

the resistance to which is shown by the ripple or wave that

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arises there, and (2) the replacement of the water at her

stern, the resistance to which is shown by the suction or

wake or " dead water" that she drags after her. In addition

she must also overcome skin friction, shown, if one looks

over the side of a vessel moving in smooth water, by the

thin line of "dead water" or small ripples at her sides.

Bnt this, area for area, is slight as compared with the

force required for displacement and replacement.

When the Erie Canal was first built its locks were

constructed to accommodate boats of a certain length.

The enlargement of these locks so as to admit boats of

double that length is now going on, but is not yet entirely

completed, so that to pass through the entire canal, boats

of the shorter length must still be used. Each of these

boats is usually pulled by two horses or mules. But

whoever passes over the railroads that parallel this great

waterway will notice that for much of the distance the

boats are now run in pairs, the bow of one boat being

fastened to the stern of its predecessor, and that instead

of four horses for the two boats only three are used.

What makes this economy possible is that the displacement

for the two boats is mainly borne by the first boat, and

the replacement for the two is mainly borne by the second

boat. As the additional force required to move two boats

instead of one is thus not much more than the additional

skin friction, three animals suffice instead of four. If the

boats were so constructed as to fit closely together the

economy would be still greater.

Now, what we do in building a vessel is virtually to

place one cross-section behind another cross-section so

that the whole may be moved with no more resistance of

displacement and replacement than would be required to

move any one cross-section. The principle is the same as

that which would prompt us if we had to carry two bodies

through a wall, to carry the second through the hole that

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it would be necessary to make for the first, instead of

making another hole. In addition to this the increase of

length without increase of width which results virtually

from the placing of the cross-sections behind each other,

permits the graduation or sharpening of entrance and

egress, thus allowing displacement and replacement to be

effected in longer times or more gradually, and with les-

sened resistance ; although the fact that resisting surface

does not increase proportionately to increase in cubical

capacity, enables the large vessel to outstrip the small

vessel with the same proportionate expenditure of power,

even if built on the same lines.

Now these principles, or rather this principle, for at

bottom they are one, have their analogues in our making

of things. Just as ten thousand tons can be transported

in one vessel at much greater speed or with much less

expenditure of power than in ten thousand vessels of one

ton each, so can production be facilitated and economized

by doing together things of like kind that are to be done.

Take for instance the baking of bread. To bake a loaf

of bread requires the application of a certain amount of

heat for a certain time to a certain amount of dough. To

heat an oven to this point requires a certain expenditure

of fuel; to maintain it for this time a certain other

expenditure of fuel ; and a certain expenditure of fuel is

lost in the cooling of the oven after the bread is baked.

To bake one loaf of bread in an ordinary oven thus

requires a much greater relative expenditure of fuel than

is required to bake at one time as many loaves as the oven

will hold ; and a larger oven will bake more loaves with a

proportionately less expenditure of fuel than a smaller

one, since the loss of heat that escapes from the work of

baking is relatively less; and if one batch of bread is

succeeded by another batch without suffering the oven to

cool, another great relative saying is made. So that the

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physical power of the units, but the sum of their intelli-

gence. If I may be permitted to use for a moment the

term "man power" and symbol M as expressing the

physical force which one individual can exert, and the

term "mind power" and symbol M' as suggesting quanti-

tatively the individual power of intelligence or thought,

the best possible result of the exertion of one hundred

thousand men in cooperation of the first kind would be

100,000 man power x 1 mind power or 100,000 MM' ;

while of the same number of men employed in the second

kind of cooperation it would be 100,000 man power x

100,000 mind power or 10,000,000,000 MM'.

The illustration is clumsy, but it may serve to suggest

the enormous difference which we see developed in the

two kinds of cooperation, and which as it seems to me

arises at least in important part from the fact that while

in the second kind of cooperation the sum of intelligence

utilized is that of the whole of the cooperating units, in

the first kind of cooperation it is only that of a very small

part.

In other words it is only in independent action that the

full powers of the man may be utilized. The subordination

of one human will to another human will, while it may in

certain ways secure unity of action, must always where

intelligence is needed, involve loss of productive power.

This we see exemplified in slavery and where governments

have undertaken (as is the tendency of all government)

unduly to limit the freedom of the individual. But where

unity of effort, or rather combination of effort, can be

secured while leaving full freedom to the individual, the

whole of productive power may still be utilized and the

result be immeasurably greater.

The hardening of muscular tissue, which comes to us as

the years of our lives go by, has deprived the delicate

mechanism which once adequately moved the lenses of my

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eyes of what opticians call their power of accommodation,

so that to my natural sight printed pages that I once read

comfortably are now indistinguishably confused. By

piercing a small pinhole in a piece of cardboard and

holding it close to one of my eyes, while I shut the other,

I can cut off from my vision so many of the rays of light

that the few which reach my retina do not interfere with

each other, and I can thus see the same printed page for

a few moments distinctly. But this is by the sacrifice of

otherwise available rays of light. Now by means of a

properly ground pair of spectacles which deflect so as to

utilize for the eyes the interfering rays of light 1 can use

them all.

To attempt in social affairs to secure by cooperation of

the first kind that alignment of effort which by natural

law belongs to cooperation of the second kind, is like

attempting to secure by cardboard and pinholes the

deflniteness of vision that can be far better secured by

spectacles. Such is the attempt of what is properly called

socialism.

Imagine an aggregation of men in which it was attempted

to secure by the external direction involved in socialistic

theories that division of labor which grows up naturally

in society where men are left free. For the intelligent

direction thus required an individual man or individual

men must be selected, for even if there be angels and

archangels in the world that is invisible to us, they are

not at our command.

Taking no note of the difficulties which universal ex-

perience shows always to attend the choice of the de-

positaries of power, and ignoring the inevitable tendency

to tyranny and oppression, of command over the actions

of others, simply consider, even if the very wisest and best

of men were selected for such purposes, the task that would

be put upon them in the ordering of the when, where, how

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and by whom that would be involved in the intelligent

direction and supervision of the almost infinitely complex

and constantly changing relations and adjustments in-

volved in such division of labor as goes on in a civilized

community. The task transcends the power of human

intelligence at its very highest. It is evidently as much

beyond the ability of conscious direction as the correlation

of the processes that maintain the human body in health

and vigor is beyond it.

Aristotle, Julius Caesar, Shakespeare, Newton, may be

fairly taken as examples of high-water mark in the powers

of the human mind. Could any of them, had the control

of the processes that maintain the individual organism

been relegated to his conscious intelligence, have kept life

in his body a single minute f Newton, so the tradition

runs, stopped his tobacco-bowl with his lady's finger.

What would have become of Newton's heart if the ordering

of its beats had been devolved on Newton's mind!

This mind of ours, this conscious intelligence that

perceives, compares, judges and wills, wondrous and far-

reaching as are its powers, is like the eye that may look

to far-off suns and milky ways, but cannot see its own

mechanism. This body of ours in which our mind is

cased, this infinitely complex and delicate machine through

which that which feels and thinks becomes conscious of

the external world, and its will is transmuted into motion,

exists only by virtue of unconscious intelligence which

works while conscious intelligence rests ; which is on guard

while it sleeps ; which wills without its concurrence and

plans without its contriving, of which it has almost no

direct knowledge and over which it has almost no direct

control.

And so it is the spontaneous, unconscious cooperation

of individuals which, going on in the industrial body,

the Greater Leviathan than that of Hobbes, conjoins

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individual efforts in the production of wealth, to the

enormous increase in productive power, and distributes

the product among the units of which it is composed. It

is the nature and laws of such cooperation that it is the

primary province of political economy to ascertain.

CHAPTER XL

THE OFFICE OF EXCHANGE IN PRODUCTION.

SHOWING THAT IN MAN THE LACK OP INSTINCT IS SUPPLIED

BY THE HIGHER QUALITY OP REASON, WHICH LEADS TO

EXCHANGE.

The cooperation of ants and bees is from within and not from with-

out j from instinct and not from direction— Man has little instinct ;

but the want supplied by reason— Reason shows itself in exchange

— This suffices for the unconscious cooperation of the economic body

or Greater Leviathan— Of the three modes of production, "ex-

changing " is the highest— Mistake of writers on political economy

—The motive of exchange.

IT is a curious fact, haying in it suggestions that it

would lead beyond our purpose to follow, that the living

things that come nearest to the social organization of man

are not those to whom we are structurally most allied, but

those belonging to a widely separated genus, that of insects.

The cooperation by which ants and bees build houses and

construct public works, procure and store food, make

provision for future needs, rear their young, meet the

assaults of enemies and confront general dangers, gives

to their social life a striking superficial likeness to that of

human societies, and brings them in this apparently far

closer to us than are animals to whom we are structurally

more akin.

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The cooperation by which the social life of such insects

is carried on seems at first glance to be of the kind I have

called directed cooperation, in which correlation in the

efforts of individual units is brought about, as it were

from without, by such subordination of some of the units

to other units as secures conscious obedience in response

to intelligent direction. The republican monarchy of the

bees has its queen, its drones, its workers ; the ants range

themselves for march, for battle, or for work, in militant

or industrial armies.

Yet closer observation shows that this is more in seeming

than in fact, and that the great agency in the correlation

of effort which the insects show is something which

impresses the units not from without but from within

their own nature, the force or power or impulse that we

call instinct, which operating directly on the individual

unit, brings each, as it were, of its own volition, to its

proper place and function with relation to the whole, in

something of the same way in which the vital or germinative

force operates within the egg-shell to bring the separate

cells into relations that result in the living bird.

Now of this power or impulse that we call instinct

conscious man has little. While the involuntary and

unconscious functions of his bodily frame may be ordered

and maintained by it or something akin to it, and while

it may in the same way furnish the sub-stratum of what

we may call his mental frame, yet instinct, so strong in

the orders of life below him, seems with man to fade and

withdraw as the higher power of reason assumes control.

What of instinct he retains would not suffice even for such

social constructions as those of ants or bees or beavers.

But reason, which in him has superseded instinct, brings

a new and seemingly illimitable power of uniting and

correlating individual efforts, by enabling and disposing

him to exchange with his fellows. The act of exchange is

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that of deliberately parting with one thing for the purpose

and as a means of getting another thing. It is an act

that involves foresight, calculation, judgment— qualities

in which reason differs from instinct.

All living things that we know of cooperate in some

kind and to some degree. So far as we can see, nothing

that lives can live in and for itself alone. But man is the

only one who cooperates by exchanging, and he may be

distinguished from all the numberless tribes that with him

tenant the earth as the exchanging animal. Of them all

he is the only one who seeks to obtain one thing by giving

another. A dog may prefer a big bone to a little bone,

and where it cannot hold on to both, may keep one in

preference to the other. But no dog or other animal will

deliberately and voluntarily give up one desirable thing

for another desirable thing. When between two desired

things the question " Which ? w is put to it, its answer is

always the answer of the child, " Both," until it is forced

to leave the one in order to hold the other. No other

animal uses bait to attract its prey ; no other animal plants

edible seeds that it may gather the produce. No other

animal gives another what it itself would like to have in

order to receive in return what it likes better. But such

acts come naturally to man with his maturity, and are of

his distinguishing principle.

Exchange is the great agency by which what I have

called the spontaneous or unconscious cooperation of men

in the production of wealth is brought about, and economic

units are welded into that social organism which is the

Greater Leviathan. To this economic body, this Greater

Leviathan, into which it builds the economic units, it is

what the nerves or perhaps the ganglions are to the

individual body. Or, to make use of another illustration,

it is to our material desires and powers of satisfying them

what the switchboard of a telegraph or telephone or other

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electric system is to that system, a means by which exer-

tion of one kind in one place may be transmuted into sat-

isfaction of another kind in another place, and thus the

efforts of individual units be conjoined and correlated so

as to yield satisfactions in most useful place and form, and

to an amount enormously exceeding what otherwise would

be possible.

Of the three modes of production which I have distin-

guished as adapting, growing and exchanging, the last is

that by which alone the higher applications of the modes

of adapting and growing are made available. Were it not

for exchange the cooperation of individuals in the produc-

tion of wealth could go no further than it might be carried

by the natural instincts that operate in the formation of

the family, or by that kind of cooperation in which indi-

vidual wills are made subordinate to another individual

will. These it is evident would not suffice for the lowest

stage of civilization. For not only does slavery itself,

which requires that the slaves shall be fed and clothed,

involve some sort of exchange, though a very inadequate

one, but the labor of slaves must be supplemented by

exchange to permit the slave-owner to enjoy any more

than the rudest satisfactions. It was only by exchanging

the produce of their labor that the American slave-owner

could provide himself with more than his slaves themselves

could obtain from his own plantation, and a slave-based

society in which there was no exchanging could hardly

carry the arts further than the construction of the rudest

huts and tools. When we speak of pyramids and canals

being constructed by enforced labor we are forgetting the

great amount of exchanging which was involved in such

work.

Many if not most of the writers on political economy

have treated exchange as a part of distribution. On the

contrary, it properly belongs to production. It is by

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exchange and through exchange that man obtains and is

able to exert the power of cooperation which with the

advance of civilization so enormously increases his ability

to produce wealth.

The motive of exchange is the primary postulate of

political economy, the universal fact that men seek to

gratify their desires with the least exertion. This leads

men by a universal impulse to seek to gratify their desires

by exchange wherever they can thus obtain the gratification

of desire with less exertion than in any other way ; and

by virtue of the natural laws, both physical and mental,

explained in Chapter II. of this Book, this is from the very

origin of human society, and increasingly with its advance,

the easiest way of procuring the satisfaction of the greatest

number of desires.

And in addition to the laws already explained there is

another law or condition of nature related to man which

is taken advantage of to the enormous increase of pro-

ductive power in exchange. 1

i A note, "Leave six pages," written in pencil, appears on the last page of this

chapter in the MS. The indications are that it was intended not for this, but for

the next succeeding chapter, which was left unfinished. — H. G., Jr.

CHAFFER XII.

OFFICE OF COMPETITION IN PRODUCTION.

SHOWING THAT COMPETITION BRINGS TRADE, AND CONSE-

QUENTLY SERVICE, TO ITS JUST LEVEL.

["Competition is the life of trade" an old and true adage— The as-

sumption that it is an evil springs from two causes— one bad, the

other good— The bad cause at the root of protectionism— Law of

competition a natural law— Competition necessary to civilization.] 1

THAT "competition is the life of trade/' is an old and

true adage. But in current thought and current

literature there is so much assumption that competition is

an evil that it is worth while to examine at some length

its cause and office in the production of wealth.

Much of this assumption that competition is an evil and

a wrong that should be restricted and indeed abolished in

the higher interests of society springs from the desire of

men unduly to profit at the expense of their fellows by

distorting natural laws of the distribution of wealth. This

is true of the form of socialism which was known in the

time of Adam Smith as the mercantile system or theory,

and which still exists with but little diminished strength

under the general name of protectionism. Much of it

again has a nobler origin, coming from a righteous in-

1 No summary of this chapter Appears in the MS. The summary here presented

and inclosed by brackets is supplied for the reader's convenience. — H. G., Jr.

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dignation with the monstrous inequalities in the existing

distribution of wealth throughout the civilized world,

coupled with a mistaken assumption that these inequalities

are due to competition.

I do not propose here to treat either of protectionism or

socialism proper, my purpose being not that of controversy

or refutation, but merely that of discovering and explaining

the natural laws with which the science of political economy

is concerned. But the law of competition is one of these

natural laws, without an understanding of which we

cannot fully understand the economy or system by which

that Intelligence to which we must refer the origin and

existence of the world has provided that the advance of

mankind in civilization should be an advance towards the

general enjoyment of literally boundless wealth.

The competition of men with their fellows in the pro-

duction of wealth has its origin in the impulse to satisfy

desires with the least expenditure of exertion.

Competition is indeed the life of trade, in a deeper sense

than that it is a mere facilitator of trade. It is the life of

trade in the sense that its spirit or impulse is the spirit or

impulse of trade or exchange.

CHAPTER Xin.

OF DEMAND AND SUPPLY IN PRODUCTION. 1

1 No more than the title of this chapter was written. The reader will find the

subject of demand and supply in production treated in "Progress and Poverty"

and in " Social Problems."— H. G., Jr.

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CHAPTER XIV.

ORDER OP THE THREE FACTORS OP PRODUC-

TION.

SHOWING THE AGREEMENT OF ALL ECONOMISTS AS TO THE

NAMES AND ORDER OF THE FACTORS OF PRODUCTION.

Land and labor necessary elements in production— Union of a com-

posite element, capital— Reason for dwelling on this agreement as

to order.

ALL economists give the factors of production as

J\. three— land, labor and capital. And without ex-

ception that I know of, they name them in this order.

This, indeed, is the natural order; the order of their

appearance. The world, so far as political economy takes

cognizance of it, began with land. Reason tells us that

land, with all its powers and potentialities, including even

all vegetable and animal life, existed before man was, and

must have existed before he could be. But whether still

"formless and void," or already instinct with the lower

forms of life, so long as there was in the world only the

economic element land, production in the economic sense

could not be, and there was no wealth. When man

appeared, and the economic element labor was united to

the economic element land, production began, and its

product, wealth, resulted. At length (for in the myths

and poems in which mankind have expressed all the

wisest could tell of our far beginnings they have always

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loved to picture a golden age devoid of care), or more

probably almost immediately (for the very first of our

race must have possessed that reason which is the

distinguishing quality of man), the greater power that

could be gained by using wealth in aid of labor was seen,

and a third factor of production, capital, appeared.

But between this third factor and the two factors which

precede it, a difference in nature and importance is to be

noted. Land and labor are original and necessary factors.

They cannot be resolved into each other, and they are

indispensable to production, being necessary to production

in all its modes. But capital is not an original factor.

It is a compound or derivative factor, resulting from the

union of the two original factors, land and labor, and

being resolvable on final analysis into a form of the active

factor, labor. It is not indispensable to production,

being necessary, as before explained, not in all modes of

production, but only in seme modes. Nevertheless>«the

part that it bears in production is so separable, and the

convenience that is served by distinguishing it from

the original factors is so great, that it has been properly

recognized by the earliest and by all subsequent writers

in political economy as a separate factor; and the three

elements by whose union wealth is produced in the civilized

state are given by the names and in the order of (1) land,

(2) labor, and (3) capital.

It may seem to the reader superfluous that I should lay

such stress upon the order of the three factors of production,

for it is not more self-evident that the mother must precede

the child than that land must precede labor, and that labor

must precede capital. But I dwell upon this question of

order because it is the key to confusions which have

brought the teaching of the science of political economy

to absurdity and stultification. Such of these writers as

have condescended to make any definitions of the terms

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they use have indeed in these definitions recognized the

natural order of the three factors of production. But

whoever will follow them will see that without seeming

conscious of it themselves they soon slip into a reversal of

this order, and, literally making the last first, proceed to

assume that capital is the prime factor in production. So-

cialism, which gives such undue prominence to capital and

yet is so completely at sea as to the real nature and func-

tions of capital has the root of its absurdities in the teach-

ings of the scholastic economists.

But the results of this confusion as to the nature and

order of the factors of production will be more fully treated

when we come to consider the distribution of wealth. All

that it is necessary to do here is to point out the true order

of the factors of production and to make clear what they

are. Let us proceed to consider them one by one.

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CHAPTER XV.

THE FIRST FACTOR OF PRODUCTION-LAND.

SHOWING THAT LAND IS THE NATURAL OR PASSIVE FACTOR

IN ALL PRODUCTION.

The term "land"— "Landowners"— Labor the only active factor.

MAN produces by drawing from nature. Land, in

political economy, is the term for that from which

he draws— for that which must exist before he himself can

exist. In other words, the term land in political economy

means the natural or passive element in production, and

includes the whole external world accessible to man, with

all its powers, qualities and products, except perhaps those

portions of it which are for the time included in man's

body or in his products, and which therefore temporarily

belong to the categories, man and wealth, passing again

in their re-absorption by nature into the category, land.

The original and ordinary meaning of the word, land,

is that of dry superficies of the earth as distinguished from

water or air. But man, as distinguished from the denizens

of the water or the air, is primarily a land animal. The

dry surface of the earth is his habitat, from which alone

he can venture upon or make use of any other element, or

obtain access to any other material thing or potency.

Thus, as a law term, land means not merely the dry

superficies of the earth, but all that is above and all that

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may be below it, from zenith to nadir. For the same

reason the word land receives like extension of meaning

when used as a term of political economy, and comprises

all having material form that man has received or can

receive from nature, that is to say, from God.

Thus the term "land" in political economy means the

natural or passive factor, on which and by or through

which labor produces, and can alone produce.

But that land is only a passive factor in production

must be carefully kept in mind. It is a thing, but not a

person, and though the tendency to personification leads

not merely in poetry but in common speech to the use of

phrases which attribute sentiment and action to land, it is

important to remember that when we speak of a smiling,

a sullen, or an angry landscape, of a generous or a niggard

land, of the earth giving or the earth receiving, or rewarding

or denying, or of nature tempting or forbidding, aiding or

preventing, we are merely using figures of speech more

forcibly or more gracefully to express our own feelings by

reflection from inanimate objects. In the production of

wealth land cannot act ; it can only be acted upon. Man

alone is the actor.

Nor is this principle changed or avoided when we use

the word land as expressive of the people who own land.

Landowners, as landowners, are as purely passive in

production as land itself ; they take no part in production

whatever. When Arthur Young spoke of the " magic of

property turning sands to gold" he was using a figure

of speech. What he meant to say was that the effect of

security in the enjoyment of the produce of labor on land

was to induce men to exert that labor with more assiduity

and intelligence, and thus to increase the produce. Land

cannot know whether men regard it as property or not,

nor does that fact in any degree affect its powers. Sand

is sand and gold is gold, and the rain falls and the sun

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shines, as little affected by the moral considerations that

men recognize as the telegraph-wire is affected by the

meaning of the messages that pass through it, or as the

rock is affected by the twitter of the birds that fly over it.

I speak of this because although their definition of land

as a factor in production is precisely that which I have

given, there is to be found in the accepted treatises on

political economy a constant tendency to the assumption

that landowners, through their ownership of land, con-

tribute to production.

That the persons whom we call landowners may con-

tribute their labor or their capital to production is of

course true, but that they should contribute to production

as landowners, and by virtue of that ownership, is as

ridiculously impossible as that the belief of a lunatic in

his ownership of the moon should be the cause of her

brilliancy.

We could not if we would, and should not if we could,

utterly eschew metaphors ; but in political economy we

must be always careful to hold them at their true meaning.

CHAPTER XVI.

THE SECOND FACTOR OP PRODUCTION— LABOR.

SHOWING THAT LABOR IS THE HUMAN OR ACTIVE FACTOR

IN ALL PRODUCTION.

The term labor—It is the only active factor in producing wealth,

and by nature spiritual.

ALL human actions, or at least all conscious human

XX. actions, have their source in desire and their end or

aim in the satisfaction of desire. The intermediary action

by which desire secures its aim in satisfaction, is exertion.

The economic term for this exertion is labor. It is the

active, and from the human standpoint, the primary or

initiative, factor in all production— that which being

applied to land brings about all the changes conducive to

the satisfaction of desire that it is possible for man to

make in the material world.

In political economy there is no other term for this

exertion than labor. That is to say, the term labor

includes all human exertion in the production of wealth,

whatever its mode. In common parlance we often speak

of brain labor and hand labor as though they were entirely

distinct kinds of exertion, and labor is often spoken of as

though it involved only muscular exertion. But in reality

any form of labor, that is to say, any form of human

exertion in the production of wealth above that which

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cattle may be applied to doing, requires the human brain

as truly as the human hand, and would be impossible

without the exercise of mental faculties on the part of the

laborer.

Labor in fact is only physical in external form. In its

origin it is mental or on strict analysis spiritual It is

indeed the point at which, or the means by which, the

spiritual element which is in man, the Ego, or essential,

begins to exert its control on matter and motion, and to

modify the material world to its desires.

As land is the natural or passive factor in all production,

so labor is the human or active factor. As such, it is the

initiatory factor. All production results from the action

of labor on land, and hence it is truly said that labor is

the producer of all wealth.

CHAPTER XVH.

THE THIRD FACTOR OF PRODUCTION— CAPITAL.

SHOWING THAT CAPITAL IS NOT A PRIMARY FACTOR, BUT

PROCEEDS PROM LAND AND LABOR, AND IS A FORM OR

USE OP WEALTH.

Capital is essentially labor raised to a higher power— Where it may,

and where it must aid labor— In itself it is helpless.

THE primary factors of production are labor and land,

and from their union all production comes. Their

concrete product is wealth, which is land modified by labor

so as to fit it or better fit it for the satisfaction of human

desires. What is usually distinguished as the third factor

of production, capital, is, as we have seen, a form or use

of wealth.

Capital, which is not in itself a distinguishable element,

but which it must always be kept in mind consists of wealth

applied to the aid of labor in further production, is not a

primary factor. There can be production without it, and

there must have been production without it, or it could

not in the first place have appeared. It is a secondary

and compound factor, coining after and resulting from the

union of labor and land in the production of wealth. It

is in essence labor raised by a second union with land to

a third or higher power. But it is to civilized life so

necessary and important as to be rightfully accorded in

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political economy the place of a third factor in production.

Without the use of capital man could raise himself but

little above the level of the animals.

I have already, in Chapter II. of this Book, generalized

the various modes of production into three, adapting,

growing and exchanging. Now in the first of these modes,

which I have called adapting, the changing of natural

products either in form or in place so as to fit them for

the satisfaction of human desires, capital may aid labor,

and in the higher forms of this mode must aid labor.

But it is not absolutely necessary, to the lower forms at

least. Some of the smaller and less powerful animals

might be taken and the natural fruits and vegetables

obtained, some rude shelter and clothing produced, and

even some rude forms of wealth adapted from the mineral

world, without the application of capital

But in the second and third of these modes, those namely

of growing and exchanging, capital must aid labor, or is

indispensable. For there can be no cultivation of plants

or breeding of animals, unless vegetables or animals

previously brought into the category of wealth are devoted

not to the consumption that gives direct satisfaction to

desire, but to the production of more wealth ; and there

can be no exchanging of wealth until some wealth is

applied by its owners, not to consumption, but to exchange

for other wealth or for services.

It is to be observed that capital of itself can do nothing.

It is always a subsidiary, never an initiatory factor. The

initiatory factor is always labor. That is to say, in the

production of wealth labor always uses capital, is never

used by capital. This is not merely literally true, when

by the term capital we mean the thing capital. It is also

true when we personify the term and mean by it not the

thing capital, but the men who are possessed of capital.

The capitalist pure and simple, the man who merely controls

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capital, has in his hands the power of assisting labor to

produce. But purely as capitalist he cannot exercise that

power. It can be exercised only by labor. To utilize it

he must himself exercise at least some of the functions of

labor, or he must put his capital, on some terms, at the use

of those who do.

I speak of this because it is the habit, not only of

common speech but of many writers on political economy,

to speak as though capital were the initiatory factor in

production, and as if capital or capitalists employed labor ;

whereas in fact, no matter what the form of the arrange-

ment for the use of capital, it is always labor that starts

production and is aided by capital; never capital that

starts production and is aided by labor.

It cannot be too clearly kept in mind that labor is the

only producer either of wealth or of capital. Appropriation

can produce nothing. Its sole power is that of affecting

distribution under penally of preventing production. This

may put wealth or capital in the hands of the appropriator,

by taking it from others; but can never bring it into

existence.

BOOK IV.

THE DISTRIBUTION OF WEALTH

For u Mars is a tyrant," as Timotheus ex-

presses it ; but justice, according to Pindar,

"is the rightful sovereign of the world."

The things which Homer tells us kings

receive from Jove are not machines for

taking towns or ships with brazen beaks,

but law and justice; these they are to

guard and cultivate. And it is not the

most warlike, the most violent and san-

guinary, but the justest of princes, whom

he calls the disciple of Jupiter.— Plutarch,

Demetrius.

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INTRODUCTION TO BOOK IV.

IN accordance with the earlier usage I have planned

the division of political economy for purposes of in-

vestigation into three grand divisions : I.— The nature of

wealth. II.— The laws of production. III.— The laws of

distribution. Having passed through the first two grand

divisions, having seen the nature of wealth and the laws of

its production, we proceed now to the laws of distribution.

In the branch of political economy to which we now

turn lies the heart of all economic controversies. For all

disputes as to the nature of wealth and all disputes as to

the production of wealth will be found at last to have their

real ground in the distribution of wealth. Hence, this, as

we shall find, is the part of political economy most beset

with confusions. But if we move carefully, making sure

as we go of the meaning of the words we use, we shall

find no real difficulty.

CHAPTER I.

THE MEANING OP DISTRIBUTION.

SHOWING THE MEANING AND USES OP THE WORD DISTRIBU-

TION; THE PLACE AND MEANING OF THE ECONOMIC TERM;

AND THAT IT IS CONCERNED ONLY WITH NATURAL LAWS.

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of distribution— It is the continuation and end of what begins in

production, and thus the final division of political economy— The

meaning usually assigned to distribution as an economic term, and

its true meaning.

THE word distribution comes from the Latin, dis,

asunder, and tribuo, to give, or tribuere, to allot.

The common meaning of distribution differs from that

of division by including with the idea of a separation into

parts the idea of an apportionment or allotment of these

parts, and is that of a division into or a division among.

Thus the distribution of work, or duty, or function is

the assignment to each cooperator of a separate part in

securing an aggregate result ; the distribution of food, or

alms, or of a trust fund, involves the allotment of a proper

portion of the whole to each of the beneficiaries; the

distribution of gas, or water, or heat, or electricity, through

a building or city, means the causing of a flow to each

part of its proper quota; the distribution of rocks, plants

or animals over the globe involves the idea of causes or

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laws which have brought them to the places where they

are found ; the distribution of weight or strain in a building

or structure involves the idea of a division of the aggregate

mass or pressure among the various parts ; distribution in

logic is the application of a term to all members of a class

taken separately, so that what is affirmed or denied of

the whole is not merely affirmed or denied of them all

collectively, but of each considered independently; the

distribution of things into categories, or species, or genera,

in the sciences is the cataloguing of them with reference

to their likeness or unlikeness in certain respects of form,

origin or quality.

What is called the distribution of mail in a post-office is

the reverse, or complement, of what is called the collection

of mail. It consists of the separation into pouches or bags

according to the common destination of the mail matter

brought in for transmission, or of a similar separation of

the mail matter received for delivery.

What is called the distribution of type in a printing-office

is the reverse, or the complement, of what is called the

composition of type. In composition the printer places

into a "stick" the letters and spaces in the sequence

that forms words. One line composed and " justified " by

such changes in spacing as bring it to the exact " measure,"

he proceeds to compose another line. When his stick

contains as many lines as it will conveniently hold he

"empties" it on a "galley," from which this "matter" is

finally " imposed " in a " form." As many impressions as

are desired having been made from the " form " upon paper

(or upon a " matrix " if any process of stereotyping is used),

what until put to its destined use of printing was " live

matter" becomes in the terminology of the printing-office

" dead matter," and that the movable types may be used

again in composition the printer proceeds to distribute

them. If the matter has been thrown into "pi" by an

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accident which disarranges the order of the letters in

words, " distribution " is a very tedious operation, since

each letter has to be separately noted. But if not, the

compositor, now become distributor, takes in his left hand

so that he can read as much of the " dead matter" as he

can conveniently hold, and beginning at the right end of

the upper line lifts with the forefinger and thumb of his

right hand a word or words, reading with a quick glance

as he does so, and moving his hand over the case, releases

each letter or space or " quad " (blank) over its appropriate

box, from which they may be readily taken for renewed

composition.

This is the system of composing and distributing type

in use from the time of Gutenberg to the present day.

But printing-machines are now (1896) rapidly beginning

to supersede hand-work. In these, composition takes place

by touches on a keyboard, like that of a typewriter. In

the type-using machines the touch on a key brings the

letter into place, justification is i^ade afterwards by hand,

and distribution is accomplished by revolving the type

around a cylinder where by nicks on its body it is carried

to its appropriate receptacle. In the type-casting machines,

each type is cast as the key is touched, and instead of being

distributed is re-melted. In the line-making machines, or

linotypes, the composition is of movable matrices, the line

is automatically justified by wedges which increase or

diminish the space between the words, and is cast on the

face of a " slug " by a jet of molten metal. In these there

is no distribution ; the slugs when no longer needed being

thrown into the melting-pot.

As has already been observed, the distribution of wealth

in political economy does not include transportation and

exchange, as most of the standard economic writers

assume. Nor yet is there any logical reason for treating

exchange as a separate department in political economy, as

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is done by those writers who define political economy as

the science which teaches of the laws which regulate the

production, distribution and exchange of wealth, or as

they sometimes phrase it, of the production, exchange and

distribution of wealth. Transportation and exchange are

properly included in production, being a part of the

process in which natural objects are by the exertion of

human labor better fitted to satisfy the desires of man.

Nor yet again is there any logical reason in the division

of the field of the science of political economy for following

that department which treats of the distribution of wealth

with other departments treating of the consumption of

wealth or of taxation, as is done by some of the minor and

more recent writers. Taxation is a matter of human law,

while the proper subject of science is natural law. Nor

does the science of political economy concern itself with

consumption. It is finished and done— the purpose for

which production began is concluded when it reaches

distribution.

The need of a consideration of the distribution of wealth

in political economy comes from the cooperative character

of the production of wealth in civilization. In the rudest

state of humanity, where production is carried on by

isolated human units, the product of each unit would in

the act of production come into possession of that unit,

and there would be no distribution of wealth and no need

for considering it. # But in that higher state of humanity

where separate units, each moved to action by the motive

of satisfying its individual desires, cooperate to produc-

tion, there necessarily arises when the product has been

obtained, the question of its distribution.

Distribution is in fact a continuation of production— the

latter part of the same process of which production is the

\* Book I., Chapter I.

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first part For the desire which prompts to exertion in

production is the desire for satisfaction, and distribution

is the process by which what is brought into being by

production is carried to the pointwhereityields satisfaction

to desire— which point is the end and aim of production.

In a logical division of the field of political economy,

that which relates to the distribution of wealth is the final

part. For the beginning of all the actions and movements

which political economy is called on to consider is in

human desire. And their end and aim is the satisfaction of

that desire. When this is reached political economy is

finished, and this is reached with the distribution of wealth.

With what becomes of wealth after it is distributed polit-

ical economy has nothing whatever to do. It can take

any further account of it only should it be reentered in

the field of political economy as capital, and then only as

an original and independent entry. What men choose to

do with the wealth that is distributed to them may be of

concern to them as individuals, or it may be of concern to

the society of which they are a part, but it is of no concern

to political economy. The branches of knowledge that

consider the ultimate disposition of wealth may be

instructive or useful. But they are not included in political

economy, which does not embrace all knowledge or any

knowledge, but has as a separate science a clear and well-

defined field of its own.

If, moved by a desire for potatoes, I dig, or plant, or

weed, or gather them, or as a member of the great

cooperative association, the body economic, in which

civilization consists, I saw or plane, or fish or hunt, or

play the fiddle, or preach sermons for the satisfaction of

other people who in return will give me potatoes or the

means of getting potatoes, the whole transaction originat-

ing in my desire for potatoes is finished when I get the

potatoes, or rather when they are put at my disposal at

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the place contemplated in my desire. Whether I then

choose to boil, bake, roast or fry them, to throw them at

dogs or to feed them to hogs, to plant them as seed, or to

let them decay ; to trade them off for other food or other

satisfactions, or to transfer them to some one else as a

free gift or under promise that by and by he will give me

other potatoes or other satisfactions, is something outside

of and beyond the series of transactions which originating

in my desire for potatoes was ended and finished in my

getting potatoes.

As a term of political economy, distribution is usually

said to mean the division of the results of production

among the persons or classes of persons who have

contributed to production. But this as we shall see is

misleading, its real meaning being the division into

categories corresponding to the categories or factors of

production.

In entering on this branch of our inquiry, it will be

well to recall what, in Book I., I have dwelt upon at length,

and what is here particularly needful to keep in mind, that

the laws which it is the proper purpose of political economy

to discover are not human laws, but natural laws. From

this it follows that our inquiry into the laws of the

distribution of wealth is not an inquiry into the municipal

laws or human enactments which either here and now, or

in any other time and place, prescribe or have prescribed

how wealth shall be divided among men. With them we

have no concern, unless it may be for purposes of illus-

tration. What we have to seek are those laws of the

distribution of wealth which belong to the natural order-

laws which are a part of that system or arrangement which

constitutes the social organism or body economic, as

distinguished from the body politic or state, the Greater

Leviathan that makes its appearance with civilization and

develops with its advance. These natural laws are in all

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times and places the same, and though they may be crossed

by human enactment, can never be annulled or swerved

by it.

It is more needful to call this to mind, because in what

have passed for systematic treatises on political economy

the fact that it is with natural laws, not human laws, that

the science of political economy is concerned, has in treat-

ing of the distribution of wealth been utterly ignored,

and even flatly denied.

CHAPTER II.

THE NATURE OF DISTRIBUTION.

SHOWING THE FALLACY OF THE CONTENTION THAT

DISTRIBUTION IS A MATTER OF HUMAN LAW; THAT

THE NATURAL LAWS OF DISTRIBUTION ARE MANIFEST

NOT ON WEALTH ALREADY PRODUCED, BUT ON SUBSE-

QUENT PRODUCTION ; AND THAT THEY ARE MORAL LAWS.

John Stuart Mill's argument that distribution is a matter of human

law— Its evidence of the unscientific character of the scholastic

economy— The fallacy it involves and the confusion it shows-

Illustration from Bedouin and from civilized society— Natural laws

of distribution do not act upon wealth already produced, but on

future production— Reason of this— Illustration of siphon and

analogy of blood.

MILL'S "Principles of Political Economy » is, I think,

even at the present day entitled to the rank of the

best and most systematic exposition of the scholastically

accepted political economy yet written, and as I wish to

present in their very strongest form the opinions that I

shall controvert, I qnote from it the argument from which

it is assumed that the laws of distribution with which polit-

ical economy has to deal are human laws. Mill opens

with this argument the second grand division of his work,

Book II., entitled " Distribution," which follows his intro-

ductory and the thirteen chapters devoted to "Produc-

tion," and thus states the fundamental principle on which

he endeavors to conduct his whole inquiry into distribu-

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tion, the principle that distribution is a matter of human

institution solely :

The principles which have been set forth in the first part of this

treatise, are, in certain respects, strongly distinguished from those,

on the consideration of which we are now about to enter. The laws

and conditions of the production of wealth, partake of the character

of physical truths. There is nothing optional or arbitrary in them.

Whatever mankind produce, must be produced in the modes, and

under the conditions, imposed by the constitution of external things,

and by the inherent properties of their own bodily and mental struc-

ture. . . .

But it is not so with the Distribution of Wealth. That is a matter

of human institution solely. The things once there, mankind, indi-

vidually or collectively can do with them as they like. They can

place them at the disposal of whomsoever they please, and on what-

ever terms. Further, in the social state, in every state except total

solitude, any disposal whatever of them can only take place by the

consent of society, or rather of those who dispose of its active force.

Even what a person has produced by his individual toil, unaided by

any one, he cannot keep, unless by the permission of society. Not

only can society take it from him, but individuals could and would

take it from him, if society only remained passive ; if it did not either

interfere en masse, or employ and pay people for the purpose of pre-

venting him from being disturbed in the possession. The distribution

of wealth, therefore, depends on the laws and customs of society.

The rules by which it is determined, are what the opinions and feel-

ings of the ruling portion of the community make them, and are very

different in different ages and countries ; and might be still more

different, if mankind so chose.

The opinions and feelings of mankind, doubtless, are not a matter

of chance. They are consequences of the fundamental laws of human

nature, combined with the existing state of knowledge and experience,

and the existing condition of social institutions and intellectual and

moral culture. But the laws of the generation of human opinions

are not within our present subject. They are part of the general

theory of human progress, a far larger and more difficult subject of

inquiry than political economy. We have here to consider, not the

causes, but the consequences, of the rules according to which wealth

may be distributed. Those, at least, are as little arbitrary, and have

as much the character of physical laws, as the laws of production.

Human beings can control their own acts, but not the consequences

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of their acts either to themselves or to others. Society can subject

the distribution of wealth to whatever rules it thinks best ; but what

practical results will flow from the operation of those rules, must be

discovered, like any other physical or mental truths, by observation

and reasoning.

We proceed, then, to the consideration of the different modes of

distributing the produce of land and labor which have been adopted

in practice or may be conceived in theory.\*

In all the dreary waste of economic treatises that I have

plodded through, this, by a man I greatly esteem, is the

best attempt that I know of to explain what is really meant

in political economy by laws of distribution. And it is no

small evidence of Mill's superiority to those who since the

time of Adam Smith had preceded him, and to those who

since his own time have followed him, in treatises which

bear the stamp of authority in our schools and colleges,

that he should feel it incumbent on him even to attempt

this explanation. But this attempt brings into clear relief

the unscientific character of what had passed and yet still

passes as expositions of the science of political economy.

In it we are deliberately told that the laws which it is the

object of political economy to discover, are, in the first

part of its inquiries, natural laws, but that in the later and

practically more important part of those inquiries, they

are human laws ! Political economy of this sort is as

incongruous as the image that troubled Nebuchadnezzar,

with its head of fine gold and its feet part of iron and part

of clay, for in the first part its subject-matter is natural

law, and in the last and practically more important, it is

human law.

Let us examine this argument carefully, for it is made

on behalf of the current political economy by a man who

from his twelfth year had been carefully trained in

systematic logic and who before he wrote this had won

\* Book II., Chapter I., Sec. 1, "Principles of Political Economy."

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systematic logic that is repeated and accepted to this day

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human^l WeaU J u amatter of natural law oramatter of

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himS?/\*?\* 4 ?, 60 ^ not ba™ been proposed by Mill,

whhli\* V\* 1 ? 6 \* logician ' nor could it have passed current

witn the trained logicians who since his time, leaving

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their logic behind them, have written treatises on political

economy, had it not been for the fact that in the scholastic

political economy the real nature of the distribution of

wealth has been slurred over and the question of what

natural laws may have to do with it utterly ignored. Let

us endeavor to settle this :

The original meaning of the word distribution is that of

a division into or among. Distribution is thus an action,

presupposing an exertion of will, and involving a power

of giving that will effect. Now as to things already there,

that is to say with wealth that has been already produced,

it is perfectly clear that their division or distribution

among men is determined entirely by human will backed

by human force. With such a distribution nature is not

concerned and in it she takes no part. Things already

there, wealth already produced, belong to nature only in

what logicians would call their accident, matter. But

while still subject to material laws, such as the law of

gravitation, who shall possess or enjoy them is a matter

purely of human will and force. Mankind can place them

at the disposal of whomsoever they please and on whatever

terms.

Thus, distribution in this sense, the distribution of things

already in existence, is indeed a matter solely of human

will and power. If I would know the law of distribution

in this sense of human law, I cannot look to political

economy, but where settled institutions have not grown

up or are discarded, must look to the will of the strongest.

Where in civilized society it is human institutions that

decide among whom wealth shall be divided, as for

instance in case of an insolvent, in case of the estate of

a deceased person, or in case of controverted ownership,

the municipal law governing such distribution is to be

found recorded in written or printed statutes, in the

decisions of judges or in traditions of common use and

Chap. II THE NATURE OF DISTRIBUTION. 435

wont. It is in cases of dispute authoritatively expounded

by courts, and is carried into effect by sheriffs or constables

or other officials having at their back the coercive power

of the state, with its sanctions of seizure of property and

person, fine, imprisonment and death.

But from its very rudest expression, where what obtains

is

"The good old rale,

the simple plan,

That they should take who have the power,

And they should keep who can,"

to societies where the most elaborate machinery for declar-

ing and enforcing human laws of distribution exists, such

laws of distribution always are and always must be based

upon human will and human force.

How then can we talk of natural laws of distribution f

Laws of nature are not written or printed, or carved on

pillars of stone or brass. They have no parliaments, or

legislatures, or congresses to enact them, no judges to

declare them, no constables to enforce them. What then

can we really mean by natural laws of the distribution of

wealth? What is the mode or method by which without

human agency wealth may be said to be distributed by

natural law, and without human agency, among individuals

or classes of individuals t Here is the difficulty that not

having been cleared up in economic works has given

plausibility to the assumption into which the scholastic

economy has fallen in assuming that the only laws of

distribution with which political economy can deal are not

natural laws at all, but only human laws— an assumption

that must bring any science of political economy to an end

with production.

Laws of nature, as was explained in the first part of this

work (Book I., Chapter VIII.), are the names which we

give to the invariable uniformities of coexistence and

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sequence which we find in external things, and which we

call laws of nature because our reason apprehends in them

the evidence of an originating will, preceding and superior

to human will. Let us call in the aid of that most potent

instrument of political economy, imaginative experiment,

to see if we do not find evidences of such laws of nature,

the only laws with which a true science of political economy

can deal, in the matter of the distribution of wealth :

A shifting of desert sands reveals to a roving tribe

wealth produced in a long dead civilization— rings, coins,

bracelets, precious stones and delicately carved marbles.

The things are there. They have been produced. The

tribesmen individually or collectively can do with them as

they like— can place them at the disposal of whomsoever

they please, and on whatever terms. Nature will not

interfere. The desert sand and desert sky, the winds that

sweep across it, the sun and moon and stars that look

down on it, the living things that prowl or crawl over it,

will make no remonstrance whatever the tribesmen may

choose to do with this wealth that is there— that has

already centuries ago been produced.

But things freshly produced this day or this minute are

as truly here as things produced centuries ago. Why

should not mankind individually or collectively do with

them also as they like; place them at the disposal of

whomsoever they please and on whatever terms they

choose t They could do so with no more remonstrance

from the things themselves or from external nature than

would attend the rifling of Egyptian tombs by Bedouins.

Why should not civilized men rifle the products of farm or

mine or mill as soon as they appear? Human law inter-

poses no objection to such collective action, for human

law is but an expression of collective human will, and

changes or ceases with the changes in that will. Natural

law, so far as it is comprehended in what we call physical

Chap. II. THE NATURE OF DISTRIBUTION. 437

law, interposes no objection— the laws of matter and energy

in all their forms and combinations pay no heed whatever

to human ownership.

Yet it needs no economist to tell us that if in any country

the products of a living civilization were treated as the

Bedouins treat the products of a dead civilization, the

swift result would be fatal to that civilization— would be

poverty, famine and death to the people individually and

collectively. This result would come utterly irrespective!

of human law. It would make no difference whether the |

appropriation of " things once there " without regard to ,

the will of the producer were in defiance of human law or |

\ under the sanctions of human law ; the result would be

/the same. The moment producers saw that what they

produced might be taken from them without their consent,

production would cease and starvation begin. Clearly {

i then, this inevitable result is not a consequence of human f

i law, but a consequence of natural law. Not a consequence J

j of the natural laws of matter and motion, but a consequence (

l of natural laws of a different kind— laws no less immutable j

than the natural laws of matter and motion.

For natural law is not all comprehended in what we call

physical law. Besides the laws of nature which relate to

matter and energy, there are also laws of nature that relate

to spirit, to thought and will. And should we treat the

present products of farm or mine or mill or factory as we

may treat the products of a dead civilization, we shall feel

the remonstrance of an immutable law of nature wherever

we come in conflict with the moral law. This is not to say

that any division of wealth that mankind individually or

collectively may choose to make will be interfered with or

prevented. Things once here, once in existence in the

present, are absolutely in the control of the men of the

present, and "they can place them at the disposal of

whomsoever they please and on whatever terms." Any

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remonstrance of the moral law of nature to their action

will not show itself in, or in relation to, these identical

things. But it will show itself in the future— in checking

or preventing the production of such things. Things once

produced are then and there already in existence, and may

be distributed as mankind may will. But the things on

which the natural laws of distribution exert their control

are not things already produced, but things which are

being, or are yet to be, produced.

In other words, production in political economy is not

to be conceived of as something which goes on for a while

and then stops, when its product wealth has been brought

into being ; nor is it to be conceived of as something related

only to a production that is finished and done. Both

production and distribution are properly conceived of as

continuous, resembling not the drawing of water in a

bucket but the drawing of water through a pipe— or better

still, in the conveyance of water over an elevation by

means of a bent pipe or siphon, of which the shorter arm

may stand for production and the longer for distribution.

It is in our power to tap this longer arm of the pipe at

any point below the highest, and take what water is already

there. But the moment we do so, the continuity of the

stream is at an end, and the water will cease to flow.

Production and distribution are in fact not separate

things, but two mentally distinguishable parts of one

thing— the exertion of human labor in the satisfaction of

human desire. Though materially distinguishable, they are

as closely related as the two arms of the siphon. And as it

is the outflow of water at the longer end of the siphon that is

the cause of the inflow of water at the shorter end, so it is

that distribution is really the cause of production, not

production the cause of distribution. In the ordinary

course, things are not distributed because they have been

produced, but are produced in order that they may be

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distributed. Thus interference with the distribution of

wealth is interference with the production of wealth, and

shows its effect in lessened production.

To use again the analogy supplied by our material

frames. Blood stands in the same relation to the physical

body that wealth does to the social body, distributing

throughout all parts of the physical frame potentialities

akin to those which wealth carries through the social

frame. But though the organs that distribute this vital

current are different from the organs that produce it, their

relations are so intimate that seriously to interfere with

the distribution of the blood is necessarily to interfere

with its production. Should we say of the blood that

passes into the great pumping station, the heart, " It has

been produced ; it is here, and we may do with it as we

please ! " and acting on the word, divert it from its course

through the organs of distribution— at once the great

pump ceases to beat and the organs that produce blood

lose their power and begin to decompose.

And as to pierce the heart and divert the blood that has

been produced from the natural course of its distribution

is to bring about the death of the physical organism most

swiftly and certainly, so to interfere with the natural laws

of the distribution of wealth is to bring about a like death

of the social organism. If we seek for the reason of ruined

cities and dead civilizations we shall find it in this.

CHAPTER III.

THE COMMON PERCEPTION OF NATURAL

LAW IN DISTRIBUTION.

SHOWING THE COMMON AND INERADICABLE PERCEPTION OP

NATURAL LAWS OP DISTRIBUTION.

Mill's admission of natural law in his argument that distribution

is a matter of human law—Sequence and consequence— Human

will and the will manifest in nature— Inflexibility of natural laws

of distribution— Human will powerless to affect distribution—

This shown by attempts to affect distribution through restriction

of production— Mill's confusion and his high character.

IT would seem impossible for a man of the logical

acumen and training of John Stuart Mill to accept

in deference to preconceived opinion, and to justify by such

a transparent fallacy, such an incongruous conclusion

as that while the laws of political economy relating to

production are natural laws, the laws relating to distribu-

tion are human laws, without at least a glance towards the

truth. And such a sidelong glance we find in the latter

part of the argument which in the last chapter was given

in full.

To bring this more clearly into view let me print it

again, supplying the elisions in brackets, and emphasizing

with italics words to which I would direct special attention :

We have here [in political economy] to consider, not the causes,

but the consequences, of the [human] rules according to which wealth

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may be distributed. Those [consequences], at least, are as little

arbitrary, and have as much the character of physical laws, as the

laws of production. Human beings can control their own acts, but

not the consequences of their acts either to themselves or to others.

Society can subject the distribution of wealth to whatever rules it

thinks best ; but what practical results will flow from the operation of

those rules, must be discovered, like any other physical or mental

truths, by observation and reasoning.

Here we have, what would hardly be expected from the

author of " Mill's System of Logic," an example of that

improper use of the word consequence where sequence is

really meant, which I referred to in Chapter VIII. of

Book I.

To recall what was there said : A sequence is that which

follows. To say that one thing is a sequence of another

is to say that it has to its antecedent a relation of succession

or coming after, but is not necessarily to say that this

relation is invariable or causal. But a consequence is that

which follows/row. To say that one thing is a consequence

of another is really to say that it has to its antecedent not

merely a relation of succession, but of invariable succes-

sion—the relation namely of effect to cause.

Our disposition to prefer the stronger word leads in

common speech to the frequent use of consequence where

merely sequence is really meant, or to speak of a result as

the consequence of what we know can be only one of the

causal elements in bringing it about. If a boy break a

window-pane in throwing a stone at a cat, or a man is

drowned in going in to swim, we are apt to speak of the

one thing as a consequence of the other, though we know

that stones are constantly thrown at cats without break-

ing windows and that men go in to swim without being

drowned, and that the result in the particular case was not

due to the human action alone, but to the concurrence with

it of other causes, such as the force and direction of wind

or tide, the attraction of gravitation, etc. This tendency

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to a loose use of the word consequence is of little or no

moment in common speech, where what is really meant is

well understood ; but it becomes a fatal source of confusion

in philosophical writing, where exactness is necessary, not

merely that the writer be understood by the reader, but

that he may really understand himself.

Now, what are the things which Mill here speaks of as

consequences of human rules according to which wealth

may be distributed : the things which (and not the causes

of the human rules) we have, he says, to consider in

political economy, and which he tells us have as much the

character of physical laws as the laws of production, and

"must be discovered, like any other physical or mental

truths, by observation and reasoning " t They follow, and

are thus sequences of human action, or as Mill subsequently

speaks of them, " practical results," appearing as invariable

uniformities in the actual outcome of man's efforts to

regulate the distribution of wealth. But though sequences

they clearly are not con-sequences of human action. To

say that human beings can control their own acts but not

what follows from those acts would be to deny the laws of

causation. Since these invariable uniformities appearing

in the practical results or sequences of man's action cannot

be related as effects to man's action as cause, they are not

properly con-sequences of man's action, but con-sequences

of something independent of man's action.

The truth that Mill vaguely perceives and confusedly

states in these sentences is in direct contradiction of his

assertion that the distribution of wealth is a matter of

human institution solely. It is, that the distribution of

wealth is not a matter of human institution solely, and

does not depend upon the laws and customs of society

alone ; that though human beings may control their own

acts towards the distribution of wealth, and frame for

their action such laws as the ruling portion of the

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community may wish, yet the practical results will not

depend on this human action alone, but on that as

combined with and dominated by another more permanent

and powerful element— a something independent of human

action that modifies the practical results of human action

towards the distribution of wealth, as gravitation modifies

the flight of a cannon ball.

Now these invariable sequences which come out in the

practical results of man's action, and which we know only

as effects, and cannot relate to man's action as cause, we

are compelled by the mental necessity which demands a

cause for every effect to refer to a causal antecedent in

the nature of things, which, as explained in Book I., we

call a law of nature. That is to say, invariable uniformities,

modifying the effects of all human action, such as Mill

confusedly recognizes in these sentences, are precisely

what, apprehending them as manifestations of a higher

than human will, we style laws of nature, or natural laws.

Mill's own definition of a law of nature ("System of

Logic," Book III., Chapter IV.) is a uniformity in the

course of nature, ascertained by what is regarded as a

sufficient induction, and reduced to its most simple

expression. Thus if observation and reasoning discover

in the actual phenomena or practical results of man's

action in the distribution of wealth uniformities which

swerve or destroy the effect of human action not in exact

conformity with them, these are the natural laws of

distribution as clearly as similar sequences or uniformities

which observation and reasoning discover in the phe-

nomena of production are the natural laws of production.

And what Mill is vaguely thinking of and confusedly

writing about are clearly the very natural laws of distri-

bution which he says do not exist.

In truth, the distribution of wealth is no more " a matter

of human institution solely" than is the production of

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wealth. That human beings can control their own acts is

true in one case as in the other, only in the same sense

and to the same degree. Our will is free. But human

will can only affect external nature by taking advantage

of natural laws, which in the very name we give them

cany the implication of a higher and more constant will.

A boy may throw a stone or an artilleryman fire a cannon

ball at the moon. If the result depended solely on the

human action, both ball and stone would reach the moon.

But the governance of natural law— without conformity

to which even such action as throwing a stone or firing

a cannon ball cannot take place— continuing to modify

results, brings both to the ground again, the one in a few

feet and the other in a few thousand feet.

And the natural laws which political economy discovers,

whether we call them laws of production or laws of

distribution, have the same proof, the same sanction and

the same constancy as the physical laws. Human laws

change, but the natural laws remain, the same yesterday,

to-day and to-morrow, world without end ; manifestations

to us of a will that though we cannot obtain direct know-

ledge of it through the senses, we can yet see never slumbers

nor sleeps and knows not change in jot or tittle.

If I can prove that this inflexibility to human effort is

characteristic of the laws of distribution that political

economy seeks to discover, I have proved finally and

conclusively that the laws of distribution are not human

laws, but natural laws. To do this it is only necessary

to appeal to facts of common knowledge.

Now the three great laws of distribution, as recognized

by all economists, though they are sometimes placed in

different order, are the law of wages, the law of interest

and the law of rent. Into these three elements or factors,

the entire result of production is by natural law distributed.

Now I do not of course mean to say that human law may

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not take from the part which under the natural law of

distribution might be enjoyed by one man or set of men

and give it to another, for as I have already said all

wealth or any wealth from the moment it is produced is

entirely at the disposition of human law, and mankind

can do with it as they please. What I mean to say is that

human law is utterly powerless directly to alter distribu-

tion, so that the laborer as laborer will get more wages or

less wages, the capitalist as capitalist more interest or less

interest, or the landowner as landowner more rent or less

rent, or in any way alter the conditions of distribution

fixed by natural law under existing industrial conditions.

This has been tried again and again by the strongest

governments, and is to some extent still being tried, but

always unavailingly.

In England, as in other countries, there have been at

various times attempts to regulate wages by law, sometimes

to decrease them and sometimes to increase them below

or above the level fixed at the time by natural law. But

it was found that in the one case no law could prevent the

laborer from asking and the employer from paying more

than this legal rate when the natural law, or as we usually

say the equation of demand and supply, made wages higher,

and that no law, even when backed by grants in aid of

wages, as was done in England during the beginning of

this century, could in the opposite case keep wages at a

higher rate. So it has proved with interest. There have

been numberless attempts to keep down interest, and the

State of New York retains to this day on her statute-book

a law limiting, though with considerable holes, the rate of

interest to six per cent. But such laws never have suc-

ceeded and do not now succeed in keeping interest below

the natural rate. Lenders receive and borrowers pay that

rate in the form of sales, premiums, discounts and bonuses,

where the law forbids them to do it openly. So, too, in

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the case of rent. The British Parliament has recently at-

tempted to reduce agricultural rent in certain cases in Ire-

land by instituting officials with power to fix " fair rents w —

what should be paid by the tenant to the landlord. They

have in many cases cut down the income of certain of the

landlords, but they have not lessened rent. They have

merely divided what before went to the landlord between

him and the existing tenant, and a new tenant must pay,

part in rent to the landlord and part in tenant right to the

existing tenant, as much for the use of the land as it would

have commanded if this attempt to reduce rent had not

been made.

And so it has been with attempts of human law to fix

and regulate prices, which involve the same great laws of

distribution in combined forms. Human law is always

potent to do as mankind will with what has been produced,

but it cannot directly affect distribution. That it can

reach only through production.

Nothing indeed could be more inconsistent with common

perceptions than this notion into which the scholastic

economists have fallen, that the distribution of wealth is

less a matter of natural law than the production of wealth.

The fact is (the reason of the fact will be considered

hereafter) that the common perceptions of men recognize

the immutability of the natural laws of distribution more

quickly and more certainly than of the natural laws of

production. If we look over the legislation by which the

ruling portion of our communities have striven to affect

the distribution of wealth, we shall find that (as if conscious

of its hopelessness) they have seldom if ever tried directly

to affect the distribution of wealth ; but have tried to affect

distribution indirectly through production.

An English Elizabeth or James wishes to alter the

practical outcome of the distribution of wealth in favor

of an Essex or Villiers, and to accomplish this imposes

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restrictions upon the production of gold lace or playing

cards. A Russian Czar desires to alter the distribution of

wealth in favor of one of his boyars, and seeks that end

by making a tract of land the properly of his favorite and

forbidding peasants to leave it, thus preventing them from

engaging in production except on his terms. Or, to come

nearer the present in time and place, a Carnegie or a

Wharton wishes to alter distribution in his favor so largely

that he may play at building libraries and endowing

schools of political economy ( ?) ; he seeks his end by getting

Congress to restrict the production of iron, steel or nickel,

by imposing a duty upon importation.

But it is not alone in the sentences I have reprinted

that Mill shows an undefined consciousness that the laws

of the distribution of wealth which it is the proper business

of political economy to discover are natural laws, not

human laws. Though he does not retract his statement

that "the distribution of wealth depends on the laws and

customs of society/ 7 and formally proceeds "to the con-

sideration of the different modes of distributing the produce

of land and labor which have been adopted in practice or

may be conceived in theory," yet we find him afterwards

(Book II., Chapter III., Sec. 1) speaking of laws according

to which " the produce distributes itself by the spontaneous

action of the interests of those concerned. 7 ' If there be

laws according to which produce distributes itself, they

certainly cannot be human laws. King Canute, we are

told, once tried by edict to turn back the tide ; but who

has ever dreamed that produce, whether houses or metals

or wheat or hay, or even pigs or sheep, could by ukase or

irade, act of Parliament or resolution of Congress, be made

to distribute itself f

The truth is that in the long discussion of the distribution

of wealth, which in John Stuart Mill's "Principles of

Political Economy n succeeds to what I have quoted, he

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neither follows what he formally states, that distribution

is a matter of human institution solely, and depends on

the laws and customs of society ; nor yet does he follow

what he confusedly admits, that it is a matter of natural

law. Passing to a consideration of the origin of private

property in human law, and beginning with Communism

and Socialism, the Moravians, the Bappists, the followers

of Louis Blanc and Cabet, St. Simonism and Fourierism,

he rambles along, mixing what properly belongs to the sci-

ence of political economy with discussions of competition

and custom, slavery, peasant proprietors, metayers, cot-

tiers, the means of abolishing cottier tenancy and popular

remedies for low wages, without either clearly giving the

laws of distribution or saying what they are. And the

reader who wishes to discover what the ablest and most

systematic of scholastic economists takes to be the laws of

distribution of wealth must after going through this mass

of dissertation keep on through some forty chapters or

600 pages more, and finally fish them out for himself—

only to find when he gets them or thinks that he gets

them, that they do not correlate with each other.

As I have said, I only speak of John Stuart Mill as the

best example of what has passed as the scientific exposi-

tion of political economy. The same absence of a really

scientific method— that is to say the same want of order

and precision— will be found in the treatment of distribu-

tion in all the treatises of the school of economists, now

called the Classical school, of which Mill may be deemed

the culmination. And it is to be found in even worse

degree in the so-called Historical and Austrian schools

which have within recent years succeeded the school of

Mill in all our great universities. They are indeed so far

behind the predecessors at whom they affect to sneer, that

they make no attempt even at order and precision. Who-

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ever would have an economic contrast suggested to him

like that of Hamlet's "Hyperion to a Satyr," let him

compare John Stuart MilFs "Principles of Political

Economy" with the most pretentious of recent "Prin-

ciples of Economics."

CHAPTER IV.

THE REAL DIFFERENCE BETWEEN LAWS OF

PRODUCTION AND OF DISTRIBUTION.

SHOWING THAT DISTRIBUTION HAS REFERENCE TO ETHICS,

WHILE PRODUCTION HAS NOT.

The laws of production are physical laws ; the laws of distribution

moral laws, concerned only with spirit— This the reason why the

immutable character of the laws of distribution is more quickly

and clearly recognized.

MILL is clearly wrong in the distinction which he seeks

to draw between the production of wealth and the

distribution of wealth with regard to the kind of laws

which it is the proper business of these departments of

political economy to discover.

But there is an important difference between them

which, although he has failed to distinguish it, probably

lies in vague way at the bottom of the notion that the laws

of production and the laws of distribution are different

kinds of laws. It is, that the branch of the science which

treats of the distribution of wealth is that in which the

relations of political economy to ethics are clearer and

closer than in that branch which treats of production.

In short, the distinction between the laws of production

and the laws of distribution is not, as is erroneously taught

in the scholastic political economy, that the one set of laws

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are natural laws, and the other human laws. Both sets

of laws are laws of nature. The real distinction is pointed

out in the last chapter, that the natural laws of production

are physical laws and the natural laws of distribution are

moral laws. And it is this that enables us to see in

political economy more clearly than in any other science,

that the government of the universe is a moral government,

having its foundation in justice. Or, to put this idea into

terms that fit it for the simplest comprehension, that the

Lord our God is a just God.

In considering the production of wealth we are con-

cerned with natural laws of which we can only ask what

is, without venturing to raise the question of what ought

to be. Even if we can imagine a world in which beings

like ourselves could maintain an existence and satisfy

their material desires in any other way than by the

application of labor to land under relations of uniform

sequence not substantially different from those invariable

sequences of matter and motion and life and being which

we denominate physical laws, we cannot venture to apply

to these physical laws, of which we can primarily say only

that they exist, any idea of ought. Even in matters as to

which we can imagine considerable differences between

the physical uniformities that we observe in this world

and those that might exist in a world in other respects

resembling this— such for instance as might be brought

about by a change in the distance of our earth from the

sun, or in the inclination of its axis to the ecliptic, or in

the density of its atmospheric envelop; or even by a

change in such uniformities as seem to us to involve

exceptions to a more general uniformity, like that exception

to the general law of the contraction of water in cooling

which causes it at the freezing-point to expand— there is

nothing that has any reference to right or justice, or that

arouses in us any perception of ought or duty.

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For the perception of right or justice, the recognition

of ought or duty, has no connection with or relation to two

of the three elements or categories into which we may by

analysis resolve the world as it is presented in conscious-

ness to our reasoning faculties. That is to say, right or

justice, ought or duty, do not and cannot have any relation

either to matter or to energy, but only to spirit. They

presuppose conscious will, and cannot be extended beyond

the limits in which we recognize or assume a will having

freedom to act.

Thus is it that in considering the nature of wealth or

the production of wealth we come into no direct and

necessary contact with the ethical idea, the idea of right

or justice. It is only when and as we endeavor to pierce

behind the invariable uniformities of matter and motion

to which we give the name of laws of nature and recognize

them in our thought as manifestations of an originating

or creative spirit, for which our common name is God, in

its dealing with other, and though inferior, essentially

spiritual beings, that the idea of right or justice can have

any place in that branch of political economy which deals

with the nature of wealth or the laws of its production.

But the moment we turn from a consideration of the

laws of the production of wealth to a consideration of the

laws of the distribution of wealth the idea of ought or

duty becomes primary. All consideration of distribution

involves the ethical principle ; is necessarily a considera-

tion of ought or duty— a consideration in which the idea

of right or justice is from the very first involved. And

this idea cannot be truly conceived of as having limits or

being subject to change, for it is an idea or relation, like

the idea of a square or of a circle or of parallel lines, which

must be the same in any other world, no matter how far

separated in space or time, as in this world. It is not

without reason that in our colloquial use of the words we

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speak of a just man as " a square man " or " a straight

man." As Montesquieu says :

Justice is a relation of congruity which really subsists between

two things. This relation is always the same, whatever being con-

siders it, whether it be God, or an angel, or lastly a man.

This I take to be the reason of the fact which in Chapter

II. of this Book was referred to— that the immutable char-

acter of the laws of distribution is even more quickly and

clearly recognized than the immutable character of the

laws of production. Princes, politicians and legislatures

attempt to influence distribution, but they always try to do

it, not by aiming at distribution directly but by aiming at

distribution indirectly, through laws that directly affect

production.

CHAPTER V.

OF PROPERTY.

SHOWING THAT PROPERTY DEPENDS UPON NATURAL LAW.

The law of distribution must be the law which determines ownership

—John Stuart Mill recognizes this ; but extending his error treats

property a\* a matter of human institution solely— His assertion

quoted and examined— His utilitarianism— His further contra-

dictions.

SINCE the distribution of wealth is an assignment of

ownership, the laws of distribution must be the laws

which determine property in the things produced. Or to

put it in another way, the principle which gives ownership

must be the principle which determines the distribution

of wealth. Thus what we may speak of in political economy

as the law of property and the law of distribution are not

merely laws of the same kind, springing from the same

principle, but are in reality different expressions of the

same fundamental law. Hence, in considering the origin

and basis of property we come again to the question, is it

the law of nature or the laws of man that it is the office of

the science of political economy to discover ? To say that

the distribution of wealth is " a matter of human enactment

solely" is to say that property can have no other basis

than human law ; while to admit any basis of property in

laws of nature is to say that the distribution of wealth is

a matter of natural law.

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It is another evidence of the superiority of John Stuart

Mill in logical acumen that he seems to have been the

only one of the accredited economic writers who has

recognized this necessary relation between the laws of

distribution and the origin of property. From the intro-

ductory section of his Book " Distribution/' the section I

have already quoted in full, he proceeds at once to a

consideration of the origin of property, and indeed the

first two chapters of the Book are entitled " Of Property ."

But he is consistent in error. The same want of

discrimination that leads him to treat distribution as a

matter of human institution solely, leads him to treat

property as a matter of human institution solely. Hence,

his consideration of property does not, as it should, help

him to see the incongruity of the notion that while the

laws of production are natural laws the laws of distribution

are human laws; but gives to that error such seeming

plausibility as one error may give to another. Contra-

dictions and confusions are however as marked in his

discussion of property as in his discussion of distribution.

This is shown in the introductory paragraph of his

treatment of property, Book II., Chapter I., Sec. 2, which

is as follows.

Private property, as an institution, did not owe its origin to any of

those considerations of utility, which plead for the maintenance of it

when established. Enough is known of rude ages, both from history

and from analogous states of society in our own time, to show, that tri-

bunals (which always precede laws) were originally established, not

to determine rights, but to repress violence and terminate quarrels.

With this object chiefly in view, they naturally enough gave legal

effect to first occupancy, by treating as the aggressor the person who

first commenced violence, by turning, or attempting to turn, another

out of possession. The preservation of the peace, which was the

original object of civil government, was thus attained; while by

confirming, to those who already possessed it, even what was not the

fruit of personal exertion, a guarantee was incidentally given to them

and others that they would be protected in what was so.

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All this I deny. It is in fact blank contradiction. Let

the reader look over and consider it. In the first sentence

we are told that private property did not originate in

considerations of utility. In the second, that " tribunals

(which always precede laws) were originally established,

not to determine rights, but to repress violence and

terminate quarrels." In the third, that they did this by

treating as the aggressor the person who first commenced

violence. In the fourth, that the preservation of the peace

was the original object of such tribunals, and that by

securing possession where there was no right they

incidentally secured possession where there was right.

Thus, the first sentence asserts that private property

did not originate in considerations of utility, and the three

succeeding sentences that it did. For when all considera-

tion of right is eliminated what remains as a reason for

the preservation of the peace by the repression of violence

and the termination of quarrels, if not the consideration

of utility? What Mill tells us, is that society originally

acted on the principle of the schoolmaster who says, " If I

find any fighting I will not stop to ask the right or wrong,

but will flog the boy who struck the first blow,/or I cannot

have the school thrown into disorder." If this is not a

substitution of the principle of utility for the principle of

right, what is it? And to this contradiction of himself,

Mill adds that by confirming wrongful possession, society

incidentally guarantees rightful possession!— something

in the nature of things as impossible as that two railway

trains should pass each other on a single track.

The fact is that Mill in his consideration of property is

caught in the toils of that utilitarian philosophy which

seeks to make the principle of expediency take the place

of the principle of justice. Men can no more do this

consistently than they can live without breathing, and

Mill in his very attempt to base the institution of property

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on human law is driven despite himself into recognizing

the moral law, and into talking of right and wrong, of

ought and ought not, of just and unjust. Now these are

terms which imply a natural law of morality. They can

have no meaning whatever if expediency be the basis of

property and human law its warrant.

The contradictions of this paragraph are shown through

the whole consideration of property it introduces. While

he strives to treat property as a matter of human institution

solely, yet over and over again we find Mill forced to

abandon this position and appeal to something superior

to human institution— to right or justice.

Thus, in what follows the paragraph I have quoted, we

find statements utterly contradictory of the notion that

property has its origin in expediency and is determined

by human enactment.

In the very next section to that in which we are told that

the origin of property is not in justice but in expediency,

not in the desire to determine rights, but the desire to

repress violence, we are told (the italics being mine) :

The social arrangements of modern Europe commenced from a

distribution of property wh ch was the result, not of just partition, or

acquisition by industry, but of conquest and violence : and notwith-

standing what industry has been doing for many centuries to modify

the work of force, the system still retains many and large traces of

its origin. The laws of property have never yet conformed to the

principles on which the justification of private property rests. They

have made property of things which never ought to be made property,

and absolute property where only a qualified property ought to exist.

Here we are told that, as a matter of fact, human laws

of property did not originate in the expediency of repressing

violence, but in violence itself ; that they have never con-

formed to what we can only understand as the natural law

of property, but have violated that natural law, by treating

as property things that under it are not property. For to

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say that a human law ought to be different from what the

legislature enacts is to say that there is a natural law by

which human laws are to be tested.

What indeed that natural law of property is by which

all human enactments are to be tested, Mill a little later

shows himself to be conscious of, for he says :

Private property, in every defense made of it, is supposed to mean

the guarantee to individuals of the fruits of their own labor and

abstinence.

And this basis of a natural right of property— a right

which is unaffected by and independent of all human

enactments— is still further on even more definitely and

clearly stated :

The institution of property, when limited to its essential elements,

consists in the recognition, in each person, of a right to the exclusive

disposal of what he or she have produced by their own exertions, or

received, either by gift or by fair agreement, without force or fraud,

from those who produced it. The foundation of the whole is, the

right of producers to what they themselves have produced.

The right of property includes, then, the freedom of acquiring

by contract. The right of each to what he has produced, implies a

right to what has been produced by others, if obtained by their free

consent.

After thus conceding everything to natural law, Mill

becomes concerned again for human law, and appeals to

the " categorical imperative " of Kant, the aught of moral

law, to give sanction under certain circumstances to

human law, declaring that :

Possession which has not been legally questioned within a moder-

ate number of years, ought to be, as by the laws of all nations it is,

a complete title.

Then, recognizing for a moment the incongruity of

making legal possession— that is to say possession by

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virtue of human law— equivalent to possession by virtue

of natural law, he continues :

It is scarcely needful to remark, that these reasons for not dis-

turbing acts of injustice of old date, cannot apply to uiyust systems

or institutions ; since a bad law or usage is not one bad act, in the

remote past, but a perpetual repetition of bad acts, as long as the law

or usage lasts.

Now property, Mill himself has always spoken of as a

system or institution, which it certainly is. And he has

just before stated that the existing systems or institutions

of property have their source in violence and force, and

therefore are certainly in his own view unjust and bad.

Hence what he tells us here is in plain English that the

sanction of prescription cannot be pleaded in defense of

property condemned by the natural or moral law. This is

perfectly true, but it is in utter contradiction of the notion

that property is a matter of human law.

CHAPTER VI.

CAUSE OP CONFUSION AS TO PROPERTY.

SHOWING WHY AND HOW POLITICAL ECONOMISTS PELL INTO

SUCH CONFUSIONS WITH REGARD TO PROPERTY.

Mill blinded by the pre-assumption that land is property— He all but

states later the true principle of property, but recovers by substi-

tuting in place of the economic term "land," the word in its col-

loquial use— The different senses of the word illustrated from the

shore of New York harbor— Mill attempts to justify property in

land, but succeeds only in justifying property in wealth.

IET us pause a moment before we go further in our

A examination of Mill's reasoning. What is it that so

perplexes this trained logician and honestly minded man,

involving him in such utter contradictions and confusions

when he endeavors to trace the basis of property? It is

evidently the same thing that has prevented all the

scholastic economists, both those who preceded and those

who have succeeded him, from giving any clear and

consistent statement of the laws of distribution or of the

origin of property. This is a pre-assumption they cannot

bring themselves to abandon— the pre-assumption that

land must be included in the category of property and a

place found in the laws of distribution for the income of

landowners. Since natural law can take no cognizance of

the ownership of land, they are driven in order to support

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this pre-assumption to treat distribution and property as

matters of human institution solely.

Mill, who though befogged by his utilitarian philosophy

is in many respects the superior of all these writers, starts

on his investigation of distribution and property with the

same pre-assumption, or, to use our colloquial phrase,

with the same " string tied to his leg." He had been, as

they all have been— from the really great Adam Smith to

the most recent purveyors of economic nonsense in Anglo-

German jargon— accustomed to regard property in land

as the most certain, most permanent, most tangible, of all

property— that which the lawyers call real property, and

which in common speech, where the unqualified word

" property " usually means landed property, is recognized

as the highest expression of ownership. And his logic was

not strong enough to permit him even at its call to lay

rude hands upon what to Englishmen of his class and

time was the most sacred of institutions— what the very

Ark of the Covenant was to the pious Jew. He did indeed,

come so near questioning it as to excite the dismay of his

contemporaries who deemed him a radical of radicals for

utterances that squint towards the truth. But he always

draws back from uttering it.

The real basis of property, the real fundamental law of

distribution, is so clear that no one who attempts to reason

can utterly and consistently ignore it. It is the natural

law which gives the product to the producer. But this

cannot be made to cover property in land. Hence the

persistent effort to find the origin of property in human

law and its base in expediency. It is evident, even where

Mill speaks of property generally, as he has done in what

I have to this point commented on, that the real cause of

his contradictions and confusions is that he has always in

mind property in land. But the failure of the attempt to

bring this species of property under the only possible

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justification of property, the right of the producer to the

product, is even more painfully clear when he comes, as

he does in Chapter II., Sec. 3, specifically to treat of it

He begins this by another admission of the truth utterly

inconsistent with the derivation of property from expedi-

ency; saying:

Nothing is implied in property but the right of each to his (or her)

own faculties.

And then after some long disquisitions on bequest and

inheritance which I will not comment on here lest it might

divert the reader from the main subject, he continues

again:

The essential principle of property being to assure to all persons

what they have produced by their labor and accumulated by their

abstinence, this principle cannot apply to what is not the produce of

labor, the raw material of the earth.

Abstinence is not a doing but a not doing, a refraining

from consuming. The essential principle of property

being to assure to all persons what they have produced by

their labor, this of course includes what having been pro-

duced by labor is afterwards accumulated by abstinence.

These words "and accumulated by their abstinence" are

superfluous, having no weight or place in the argument,

but their introduction is significant of the disposition to

assume that capital rather than labor is the active factor

in production.

But though a little superfluous in phrase, this statement

is true and clear. In the conflict going on in Mill's mind

the perception of a basis of property in natural law seems,

in the admission that the principle of property cannot apply

to land, to have finally conquered both the notion that its

basis is in human law and the pre-assumption from which

the notion comes.

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But this is hardly for a moment. In the next sentence,

not paragraph, and on the very same line in the printed

page, the pre-assumption that has confused him asserts its

power and Mill proceeds to argue that the principle of

property does apply to land. He does this by what is in

reality, though doubtless unconsciously to him, a juggle

with words. But as his argument is the stock argument

of the scholastic economists, I will quote it in full, distin-

guishing by italics the sentence already given :

The essential principle of property being to assure to aU persons what

(key have produced by their labor and accumulated by their abstinence,

this principle cannot apply to what is not the produce of labor, the raw

material of the earth. If the land derived its productive power wholly

from nature, and not at all from industry, or if there were any means

of discriminating what is derived from each source, it not only would

not be necessary, but it would be the height of injustice, to let the

gift of nature be engrossed by individuals. The use of the land in

agriculture must indeed, for the time being, be of necessity exclusive ;

the same person who has plowed and sown must be permitted to

reap ; but the land might be occupied for one season only, as among

the ancient Germans ; or might be periodically redivided as popula-

tion increased : or the State might be the universal landlord, and the

cultivators tenants under it, either on lease or at will.

But though land is not the produce of industry, most of its valu-

able qualities are so. Labor is not only requisite for using, but

almost equally so for fashioning, the instrument. Considerable labor

is often required at the commencement, to clear the land for cultiva-

tion. In many cases, even when cleared, its productiveness is wholly

the effect of labor and art. The Bedford Level produced little or

nothing until artificially drained. The bogs of Ireland, until the

same thing is done to them, can produce little besides fuel. One of

the barrenest soils in the world, composed of the material of the

Goodwin Sands, the Pays de Waes in Flanders, has been so fertilized

by industry, as to have become one of the most productive in Europe.

Cultivation also requires buildings and fences, which are wholly the

produce of labor. The fruits of this industry cannot be reaped in a

short period. The labor and outlay are immediate, the benefit is

spread over many years, perhaps over all future time. A holder will

not incur this labor and outlay when strangers and not himself will

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be benefited by it. If he undertakes such improvements, he must

have a sufficient period before him in which to profit by them ; and

he is in no way so sure of having always a sufficient period as when

his tenure is perpetual.

These are the reasons which form the justification in an economi-

cal point of view, of property in land.

This argument begins by asserting that the principle of

property cannot apply to land ; it ends by asserting that it

does. The language is loose, for Mill indulges in a practice

dangerous where exactness is important, the use of para-

phrases for economic terms, such as " raw material of the

earth" and "gift of nature" for land; " industry n for

labor, and "valuable qualities w \* for useful qualities, or

productive powers. But carefully to consider these rea-

sons which are held to justify the unjustifiable, is to see

that their plausibility is brought about by the same way

that a juggler seems to change a watch into a turnip— the

substitution of one thing for another thing while attention

is distracted. In this case the substitution is of one sense

of a word for another different sense of the same word.

The word land, as before explained, has two senses.

One of these is that of the dry and solid superficies of the

globe as distinguished from water or air, or that of the

cultivatable matter of the earth as distinguished from

rock or sand or ice or bog. In this sense we frequently

speak of "improved land" or "made land.' 7 The other,

the economic sense of the word, is that of the natural or

passive element in production, including the whole exter-

nal world, with all its powers, qualities and products, as

distinguished from the human or active element, labor,

and its sub-element, capital. In this sense we cannot

\* Value in political economy should be restricted to value in

exchange, and the only sense in which land or other natural objects

or their qualities may be said to have value in themselves is that of

value in use. (See Book II., Chapter X.)

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speak of " improved land " or " made land." Such phrases

would involve contradiction in terms.

Now in the reasoning just quoted Mill slips from one to

the other of these two senses of the word land, not merely

in the same connection, but in the same sentence, and

even as between the noun and its pronoun without notice

to the reader and seemingly without consciousness on his

own part.

The first suggestion of this substitution comes in the

if s of the second sentence. If, says Mill, land derived its

productive power wholly from nature and not at all from

labor, or if there were any means of discriminating what

is derived from each source, it would be the height of

injustice to let land be engrossed by individuals.

Why these ifst Mill is here writing as a political

economist, in a work entitled "Principles of Political

Economy," and for the purpose in this particular place of

discovering whether there is any justification from an

economic point of view of property in land. Land, as a

term of political economy, means that element of productive

power derived from nature and not at all from labor. It

has and can have no other meaning. The first principle

of political economy is the distinction between the produc-

tive power derived wholly from nature, for which its term

is land, and the productive power derived from human

exertion, for which its term is labor. Where the reason

can find no "means of discriminating what is derived

from each source," political economy becomes impossible,

and to confuse this discrimination is to abandon political

economy.

This is precisely what Mill does, when he goes on in the

first sentence of the next paragraph to tell us that " though

land is not the produce of industry, most of its valuable

qualities are so." He is abandoning political economy

by dropping in the pronoun the sense in which he uses

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the word land in the noun, and falling with seeming

unconsciousness into the vague sense of common speech.

When he says that land is not the produce of industry he

uses the word in the economic sense. But when he says

that qualities of land are the produce of labor he is using

the word in that loose ordinary sense in which we speak

of "improved land" or "made land." For what single

quality of land in the economic sense of the word is the

produce of labor! Is it gravitation t Is it extension!

Is it cohesion! Is it chemical affinities or repulsions!

Is it the qualities shown in generation and germination

and growth ! Why, Mill himself in the first chapter of the

first book of his " Principles of Political Economy " declares

that the primary power of labor, that by which man can

alone act on the external world, consists in that power of

muscular contraction by means of which he can to some

slight extent move or arrest the motion of matter, adding :

Labor, then, in the physical world, is always and solely employed in

putting objects in motion; the properties of matter, the laws of

nature, do all the rest.

These properties of matter, these laws of nature which

when labor changes things in place do all the rest, are

qualities of land in the economic sense of the word land.

Mill does not mean that they are ever the produce of

industry! He cannot mean that The fact is, that

abandoning the economic sense of the word land, he resorts

to that loose colloquial sense of the word in which we

speak of " improving land n or " making land." And it is

with illustrations of "improved land" and "made land\*

that he goes on to show how the qualities of land are

products of labor.

Let me too do a little illustrating, for the confusions to

which Mill succumbed are in these closing years of the

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century being crammed into the minds of young people

by a thousand " professors of political economy : w

I am writing these pages on the shore of Long Island,

where the Bay of New York contracts to what is called

the Narrows, nearly opposite the point where our legalized

robbers, the Custom-House officers, board incoming

steamers to ask strangers to take their first American

swear, and where if false oaths really colored the atmo-

sphere the air would be bluer than is the sky on this

gracious day. I turn from my writing-machine to the

window, and drink in, with a pleasure that never seems to

pall, the glorious panorama.

" What do you see f n If in ordinary talk I were asked

this, I should of course say, " I see land and water and

sky, ships and houses and light clouds, and the sun,

drawing to its setting, over the low green hills of Staten

Island, and illuminating all."

But if the question refer to the terms of political economy,

I should say, " I see land and wealth." Land, which is the

natural factor of production ; and wealth, which is the

natural factor so changed by the exertion of the human

factor, labor, as to fit it for the satisfaction of human de-

sires. For water and clouds, sky and sun, and the stars that

will appear when the sun is sunk, are, in the terminology

of political economy, as much land as is the dry surface of

the earth to which we narrow the meaning of the word in

ordinary talk. And the window through which I look;

the flowers in the garden ; the planted trees of the orchard ;

the cow that is browsing beneath them ; the Shore Road

under the window ; the vessels that lie at anchor near the

bank, and the little pier that juts out from it; the trans-

Atlantic liner steaming through the channel ; the crowded

pleasure-steamers passing by ; the puffing tug with its line

of mud-scows ; the fort and dwellings on the opposite side

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of the Narrows; the lighthouse that will soon begin to

cast its far-gleaming eye from Sandy Hook; the big

wooden elephant of Coney Island ; and the graceful sweep

of the Brooklyn Bridge, that may be discovered from a

little higher up; all alike fall into the economic term

wealth— land modified by labor so as to afford satisfaction

to human desires. All in this panorama that was before

man came here, and would remain were he to go, belongs

to the economic category land ; while all that has been

produced by labor belongs to the economic category wealth,

so long as it retains its quality of ministering to human

desire.

But on the hither shore, in view from the window, is a

little rectangular piece of dry surface, evidently reclaimed

from the line of water by filling in with rocks and earth.

What is that! In ordinary speech it is land, as distin-

guished from water, and I should intelligibly indicate its

origin by speaking of it as " made land." But in the

categories of political economy there is no place for such

a term as "made land." For the term land refers only

and exclusively to productive powers derived wholly from

nature and not at all from industry, and whatever is, and

in so far as it is, derived from land by the exertion of labor,

is wealth. This bit of dry surface raised above the level

of the water by filling in stones and soil, is, in the economic

category, not land, but wealth. It has land below it and

around it, and the material of which it is composed has

been drawn from land ; but in itself it is, in the proper

speech of political economy, wealth ; just as truly as the

ships I behold are not land but wealth\*, though they too

have land below them and around them and are composed

of materials drawn from land.

Now here is the evident confusion in Mill's thought,

which he has perplexed by dropping from the terminology

of political economy to the language of ordinary speech.

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The Bedford Level, which is land that has been drained;

the coltivatable bog of Ireland, which is land that has had

a coating of soil put on it ; the improved farms he refers

to, which are land cleared or manured by labor, belong all

of them to the same economic category as the little piece

of " made land n visible from my window. In the qualities

that he is considering in them they are all of them in the

economic meaning not land at all, but wealth; not the

free gift of nature, but the toil-earned produce of labor.

In this, and so far as these qualities go, but no further-

that is, in so far as they are wealth, not land, they are

property ; not because human agency can add any qualities

to the natural factor, land; but because of the natural

law of property, which gives to the producer the ownership

of what his labor has produced.

Mill seems to think that he has shown the justification

of property in land, but the reasons he gives only justify

property in the produce of labor ; thus in his own case

adding a signal instance of the truth of what he has before

said that " in every defense made of it, property is supposed

to mean the guarantee to individuals of the fruits of their

own labor."

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MONET— THE MEDIUM OF EXCHANGE AND

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INTRODUCTION TO BOOK V.

THIS Book is really in the nature of a supplement to

Book II., " The Nature of Wealth." In my first draft

of arrangement, a matter of much perplexity, the discussion

of money was to have followed the discussion of value,

with which it is so intimately connected ; or at least, to have

followed the discussion as to the definition of wealth. But

to have given to the subject of money in Book II. the

thorough treatment which present confusions seem to

require would not only have disproportionately expanded

that Book, but would have made needful the anticipation

of some of the conclusions more logically and conveniently

reached in Book III. and Book IV. I therefore finally

determined as the best arrangement for the reader of this

work to answer briefly in the last chapter of Book II. the

question as to the relation of money to wealth which the

conclusion of the discussion of the nature of wealth would

be certain to bring, and to defer a fuller discussion of the

subject of money until after the production and distribution

of wealth had both been treated. This point has now been

reached, and continuing as it were Chapter XXI. of

Book II., "The Nature of Wealth," I proceed to the

discussion of the medium of exchange and measure of

value.

CHAPTER I.

CONFUSIONS AS TO MONEY.

SHOWING THE DIVERGENCE IN COMMON THOUGHT AND AMONG

ECONOMISTS AS TO MONEY.

Present confusions as to money— Their cause— How to disentangle

them.

r I iHERE is no social idea or instrument with which

JL civilized men are more generally and personally

familiar than money. From early infancy to latest age

we all use it in thought and speech and daily trans-

actions, without practical difficulty in distinguishing what

is money from what is not money. Yet as to what it

really is and what it really does, there are both in common

thought on economic subjects and in the writings of

professed economists the widest divergences. This is

particularly obvious in the United States at the time I

write. For twenty years the money question has been

under wide discussion, and before that, has had similar

periods of wide discussion from the very foundation of

the American colonies, to say nothing of the discussion

that has gone on in Europe. Yet the attitude of Congress,

of the State legislatures, of the political parties, and the

press, shows that nothing like any clear conclusion as< to

first principles has yet been arrived at. As for the vast

literature of the subject which has been put into print

within recent years any attempt to extract from it a

consensus of opinion as to the office and laws of money is

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likely to result in the feeling expressed by an intelligent

man who recently made this attempt, that " The more one

reads the more he feels that any sore knowledge on the

question is beyond his comprehension."

The very latest American cyclopedia (Johnson's, 1896)

gives this definition: "Money is that kind of currency

which has an intrinsic value, and which thus if not used

as currency would still be wealth." Thus, there are some

who say that money really consists of the precious metals,

and that whatever may be locally or temporarily or par-

tially used as money can be so used only as a represen-

tative of these metals. They hold that the paper money

which now constitutes so large a part of the currency of

the civilized world derives its value from the promise,

expressed or implied, to redeem it in one or another of

these metals, and by way of assuring such redemption vast

quantities of these precious metals are kept idly in store

by governments and banks.

Of those who take this view, some hold that gold is the

only true and natural money, in the present stage of

civilization at least; while others hold that silver is as

much or even more entitled to that place, and that the

gravest evils result from its demonetization.

On the other hand there are those who say that what

makes a thing money is the edict or flat of government

that it shall be treated and received as money.

And again, there are others still who contend that

whatever can be used in exchange to the avoidance of

barter is money, thus including in the meaning of the

term, notes, checks, drafts, etc., issued by private parties, as

fully as the coins or notes issued by governments or banks.

Much of the contradiction and confusion which exists

in popular thought proceeds from the pressure of personal

interests brought into the question by the relation of debtor

and creditor. But the confusions which prevail among

professed economists have a deeper source. They evidently

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result from the confusions which prevail in economic

thought and teaching as to the nature of wealth and the

cause of value. Money is the common measure of value,

the common representative and exchanger of wealth.

Unless we have clear ideas of the meaning of value and the

nature of wealth, it is manifest therefore that we cannot

form clear ideas as to the nature and functions of money.

But since we have cleared up in the preceding chapters the

meaning of the terms value and wealth, we are now in

a position to proceed with an inquiry into the nature,

functions and laws of money. It is unnecessary to waste

time with any attempt to disentangle the maze of contra-

dictory statements of fact and confusions of opinion with

which the current literature of the subject is embarrassed.

The true course of all economic investigation is to observe

and trace the relation of those social phenomena that are

obvious now and to us. For economic laws must be as

invariable asphysical laws, andasthechemistorastronomer

can safely proceed only from relations which he sees do here

and now exist to infer what has existed or will exist in an-

other time and place, so it is with the political economist.

Yet we find, if we consider them, that these divergences

in the definition of money spring rather from differences

of opinion as to what ought to be considered and treated

as money, than from differences as to what, as a matter

of fact, money actually is. The men who differ most

widely in defining money find no difficulty in agreeing as

to what is meant by money in daily transactions. Since

we cannot find a consensus of opinion among economists,

our best plan is to seek it among ordinary people. To

see what usually is meant by money we have only to note

the essential characteristics of that which we all agree in

treating as money in our practical affairs.

After we have seen what money really is, and what are

the functions it performs, we shall then be in a position to

determine what are the best forms of money.

CHAPTER n.

THE COMMON UNDERSTANDING OP MONEY.

SHOWING THAT THE COMMON USE OP MONEY IS TO BUY

THINGS WITH, AND THAT ITS ESSENTIAL CHARACTER IS

NOT IN ITS MATERIAL BUT IN ITS USE.

The use of money to exchange for other things— Buying and selling

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Its essential quality and definition.

WHEN we are confused as to the true meaning of an

economic term, our best plan is to endeavor to

obtain a consensus of opinion as to what the thing really

is ; what function it really performs.

If I have agreed to pay money to another the common

understanding of what money is will not hold my agree-

ment fulfilled if I offer him wood, or bricks, or services, or

gold or silver bullion, even though, as closely as can be

estimated, these may be of equal value to the money

promised. My creditor might take such things in lieu of

what I had agreed to pay. But he would be more likely

to object, and his objection if fully expressed would

amount to this: "What you agreed to pay me was

money. With money I can buy anything that any one

has to sell, and pay any debt I owe. But what you offer

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me is not money. It is something I would be willing to

take if I happened to have any personal use for it. But

I have no personal use for it, and to get any one to give

me for it what I may want I must find some one who wants

this particular thing and make a trade with him. What

you propose would therefore put on me trouble, risk and

loss not contemplated in our agreement." And the justice

of this objection would be recognized by all fair men.

In this— in the ease with which it may be passed from

hand to hand in canceling obligations or transferring

ownership— lies the peculiar characteristic of money. It

is not the intrinsic nature of the thing, but the use to

which it is applied that gives its essential character to

money, and constitutes the distinction between it and

other things. Even children recognize this. I make

friends with a little one of four or five, and, showing it a

stick of candy, ask what that is fort it will say, "That

is to eat." If I show a hat or a pair of shoes, it will say,

" That is to wear." If I show a toy, it will say, " That is

to play with." But if I show a piece of money, it will say,

even though to it as yet all money may be pennies, " That

is to buy things with.\*

Now, in this, the little child will give a definition of

money that, whatever may be our monetary theories, we

all practically recognize. The peculiar use of money—

what as money "it is for"— is that of buying other things.

What by virtue of this use is money, may or may not have

capability for any other use. That is not material. For

so long as a thing is reserved to the use of buying things

any use inconsistent with this use is excluded.

We might, for instance, apply sticks of candy to the use

of buying things. But the moment a stick of candy was

applied to the use of being eaten its use in buying things

would end. So, if a greenback be used to light a cigar,

or a gold coin converted to the use of filling teeth, or of

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being beaten into gold-leaf, its use as money is destroyed.

Even where coins are used as ornaments, their use as

money is during that time prevented.

In short, the use of money, no matter of what it be

composed, is not directly to satisfy desire, but indirectly

to satisfy desire through exchange for other things. We do

not eat money nor drink money nor wear money. We pass

it. That is to say, we buy other things with it. We esteem

money and seek it, not for itself, but for what we may

obtain by parting with it, and for the purpose of thus

parting with it. This is true even where money is hoarded,

for the gratification which hoarding gives is the conscious-

ness of holding at command that with which we may

readily buy anything we may wish to have.

The little child I have supposed would probably not

know the meaning of the word exchange, which is that of

the voluntary transfer of desired things for desired things.

But it would know the thing, having become familiar with

it in the little exchanges that go on between children— in

the giving of marbles for tops, of candy for toys, or in

transactions based on " I will do this for you, if you will

do that for me." But such exchanges it would probably

speak of as trades or swaps or promises, reserving the

words buying or selling to exchanges in which money is

used.

In this use of words the child would conform to a

practice that has become common among careful writers.

In the wider sense, buying and selling merely distinguish

between the giver and receiver in exchange ; and it is in

this wider sense that Adam Smith uses the words, and as

in poetry or poetical expression we continue to use them.

But both in ordinary usage and in political economy we

now more generally confine the words buying and selling

to exchanges in which money is given or promised, speaking

of an exchange in which money is not involved, as a barter

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or trade, or simply an exchange. It is where money is

one of the things exchanged that the transaction is called

a purchase and sale ; the party who gives money for an-

other thing being termed the buyer, and the party who gives

the other thing for the money being termed the seller.

In this usage, we habitually treat money as though it

were the more notable or more important side of exchanges

in which things not money are given for money— that side

of exchange from which or towards which the initiative

impulse proceeds. And there is another usage which

points in the same direction. Among the masses of our

people at least, and I presume the same usage obtains in

all countries, good manners is held to require that where

money passes in a transaction of exchange, the receiver of

the money should by some such phrase as " Thank you,"

indicate a sense of benefit or obligation.

The reason of both these usages is, I think, to be found

in the fact that money is the thing in which gain or profit

is usually estimated ; the thing which can usually be most

readily and certainly exchanged for any other thing.

Thus whatever difficulty there may be in exchanging

particular commodities or services for other commodities

or services is generally most felt in exchanging them for

money. That exchange once made, any subsequent

exchange of the money for the things that are the ultimate

objects of desire is comparatively easy. It is this that

makes it seem to those who do not look closely, that what

is sought in exchange is money, and that he who gets

money in return for other things, is in a better position

than he who gets other things in return for money.

To see in what money really differs from other things

having exchangeable or purchasing power let us imagine

a number of men to undertake a journey through a

country where they have no personal acquaintance. Let

them for instance start from New York, in pleasant

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weather, to make a leisurely trip by the highroads for

one to two hundred miles. Let them for the defrayal of

the expenses of the journey provide themselves with

exchangeable things of different kinds. Imagine one to

have a valuable horse ; another some staple commodity,

such as tobacco or tea; another gold and silver bullion;

another a check or bill of exchange, or a check-book ; and

a fifth to have current money. These things might have

value to the same amount, but at the first stop for rest

and refreshment the great difference between them as to

readiness of convertibility would be seen.

The only way the man with the horse could pay for the

slightest entertainment for man or beast, without selling

his horse for money, or bartering for things that might

be very inconvenient to carry, would be by trading him

for a less valuable horse. It is clear that he could not go

far in this way, for, to say nothing of the delays incident

to horse trades, he would, if he persisted in them under

pressure of his desire to go on, soon find himself reduced

to an animal that could hardly carry himself.

Though of all staple commodities, tobacco and tea are

probably those most readily divisible and easily carried,

the tourist who tried to pay his way with them would find

much difficulty. If not driven to sell his stock outright

for what money he could get, he would virtually have to

convert his pleasure excursion into a peddling trip ; and,

to say nothing of the danger he would run of being

arrested for infringement of Federal or local license laws,

would be put to much delay, loss and annoyance in finding

those willing to give the particular things he needed for

the particular things he had.

And while gold and silver are of all commodities those

which have the most uniform and staple value, yet the

man who had started with bullion would, after he had

left the city, hardly find any one who could tell their real

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value or was willing to take them in return for commod-

ities or service. To exchange them at all at anything like

a reasonable rate he would have to hunt up some village

jeweler who could test and weigh them, and who, though

he might offer to give him a clock or a trinket, or to repair

his watch in exchange, would hardly have the commodities

or service our traveler needed at his disposal. To get

what he wanted for what he had to give without recourse

to money he would be driven to all sorts of intermediate

exchanges.

As for the man with the check-book, or check or bill of

exchange, he would find himself the worst off of all. He

could make no more use of them where he was not known

than of so much blank paper, unless he found some one

who could testify to his good credit or who would go to

the expense of telegraphing to learn it. To repeat this at

every stopping-place, as would be necessary if his trip were

to be carried through as it had been begun, would be too

much for the patience and endurance of an ordinary man.

But the man with the money would find no difficulty

from first to last. Every one who had any commodity to

exchange or service to render would take his money gladly

and probably say " Thank you " on receiving it. He alone

could make the journey he set out to make, without delay

or annoyance or loss on the score of exchanges.

What we may conclude from this little imaginative

experiment is not that of all things money is the most

valuable thing. That, though many people have in a

vague way accepted it, would involve a fallacy of the

same kind that is involved in the assumption that a

pound of lead is heavier than a pound of feathers. What

we may safely conclude from our experiment is, that

of all exchangeable things money is the most readily ex-

changeable, and indeed that this ready exchangeability

is the essential characteristic of money.

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Yet we have but to extend our illustration so as to

imagine our travelers taking with them beyond this country

that same money they had found so easily exchangeable

here, to see that money is not one substance, nor in all

times and places the same substance.

What is money in the United States is not money in

England. What is money in England is not money on the

Continent. What is money in one of the Continental

states may not be money in another, and so on. Although

in places in each country much resorted to by travelers

from another country, the money of the two countries

may circulate together, as American money with English

money in Bermuda ; or Canadian money with American

money at Niagara Falls ; or Indian money, English money,

French money and Egyptian money at Port Said ; yet the

traveler who wishes to pass beyond such monetary borders

with what will readily exchange for the things he may

need must provide himself with the money of the country.

The money that has served him in the country he has left

becomes in a country using a different money a mere

commodity the moment he leaves the monetary border,

which he will find it advantageous to exchange with some

dealer in such commodities for money of the country.

Is money therefore a matter of mere governmental

regulation 1 That is to say, can governmental statute or

fiat, as is to-day contended by many, prescribe what money

shall be used and at what rate it shall passf

It is unnecessary for those of us who lived in or visited

California between the years 1862 and 1879, to look further

than our own country and time to see that it cannot.

During those years, while the money of the rest of the

Union was a more or less depreciated paper, the money of

that State, and of the Pacific coast generally, was gold and

silver. The paper money of the general government was

used for the purchase of postage stamps, the payment of

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internal revenue dues, the satisfaction of judgments of the

Federal courts, and of those of the State courts where

there was no specific contract, and for remittances to the

East. But between man and man, and in ordinary trans-

actions, it passed only as a commodity.

If it be said that governmental power was not fully

exerted in this case j that the United States government

dishonored its own currency in making bonds payable and

Custom-House dues receivable only in gold, and that the

California specific contract law virtually gave the recog-

nition of the State courts only to gold and silver, we may

turn to such examples as that of the Confederate currency ;

as that of the Continental currency ; as that afforded by

Colonial currencies prior to the Revolution j as that of the

French assignats ; or to that comical episode in which the\*

caustic pen of Dean Swift, writing tinder an assumed name,

balked the whole power of the British government in its

effort to induce the Irish people to accept what was really

a better copper money than that they were using.

Government may largely affect the use of money, as it

may largely affect the use of language. It may enact

what money shall be paid out and received by government

officials, or recognized in the courts, as it may prescribe

in what language government documents shall be printed

or legislative or legal proceedings held, or scholars in the

public schools be taught. But it can no more prescribe

what shall be used as the common medium of exchange

between man and man in transactions that depend on

mutual consent than it can prescribe in what tongue

mothers shall teach their babes to lisp. In all the many

efforts that governments, limited or absolute, have made

to do this, the power of government has signally failed.

Shall we say then, as do many who point out this

impotency of mere government fiat, that the exchange

value of any money depends ultimately upon its intrinsic

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value ; that the real money in the world, the only true and

natural money, is gold and silver, one or both— for the

metal-moneyists differ as to this, being divided into two

opposing camps— the monometallists and the bimetallists f

This notion is even more widely opposed to facts than

is that of the flatists. Gold and silver have for the longest

time and over the widest area served, and yet do serve,

as material for money, and sometimes have served, and in

some places yet do serve, as money. This was the case,

to some extent, in the early days of the California diggings\*

when every merchant or hotel-keeper or gambler or bar-

tender was provided with a bottle of acid and a pair of

scales, and men paid for goods or food or lodging or

drinks or losses out of buckskin bags in which they carried

gold dust or nuggets. This is to some extent still the case

in some parts of Asia, where, as was once the case in parts

of Europe, even gold and silver coin passes by weight.

But gold and silver are not the money of the world. The

traveler who should attempt to go round the world paying

his expenses with gold and silver bullion would meet the

same difficulty or something like the same difficulty that

he would meet in the country around New York. Nor

would he obviate that difficulty by taking instead of

bullion, gold and silver coin. Except in a few places, such

as Bermuda or the Hawaiian Islands, they too would

become commodities not easily exchangeable when he left

the United States.

The truth is that there is no universal money and never

yet has been, any more than there is or has been in times

of which we have knowledge a universal language.

As for intrinsic value, it is clear that our paper money,

which has no intrinsic value, performs every office of

money— is in every sense as truly money as our coins,

which have intrinsic value ; and that even of our coins,

their circulating or money value has for the most part no

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more relation to intrinsic value than it has in the case of

our paper money. And this is the case to-day all over the

civilized world.

The fact is that neither the flat of government nor the

action of individuals nor the character or intrinsic value

of the material used, nor anything else, can make money

or mar money, raise or lessen its circulating value, except

as it affects the disposition to receive it as a medium of

exchange.

In different times and places all sorts of things capable

of more or less easy transfer have been used as money.

Thus in San Francisco in the early days, when the sudden

outflow of gold from the mines brought a sudden demand

for money which there was no ready means of supplying,

bogus coins, known to be bogus, passed from hand to

hand as money ; and in New York at the beginning of the

Civil War, when there was a great scarcity of circulating

medium, owing to the withdrawal of gold and silver from

circulation, postage stamps, car tickets, bread tickets, and

even counterfeit notes, known to be counterfeit, passed

from hand to hand as money.

Shall we say then that they are right who contend that

a true definition of money must include everything that

can be used in exchange to the avoidance of barter!

Clearly, we cannot say this, without ignoring a real and

very important ; distinction— the distinction between money

and credit. For a little consideration will show that the

checks, drafts, negotiable notes and other transferable

orders and obligations which so largely economize the use

of money in the commercial world to-day, do so only when

accompanied by something else, which money itself does

not require. That something else is trust or credit. This

is the essential element of all devices and instruments for

dispensing with the mediumship of money without resort

to barter. It is only by virtue of it that they can take

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the place of the money which in form they are promises

to pay.

When I give money for what I have bought, I pay my

debt. The transaction is complete. But I do not pay my

debt when I give a check for the amount. The transaction

is not complete. I merely give an order on some one else

to pay in my place. If he does not, I am still responsible

in morals and in law. As a matter of fact no one will

take a check of mine unless he trusts or credits me. And

though an honest face, good clothes and a manifest ex-

igency might enable me to pass a small check upon one

who did not know me, without the guarantee of some one

he did know, I could as readily, and perhaps more readily,

get him to trust me outright. So, I cannot, except to one

who knows me or to whom I am identified as a man of

good credit, pass the check of another or his note or draft

or bill of exchange in my favor, and without guaranteeing

it by indorsement. Even then I do not make a payment ;

I merely turn over with my own guarantee an order for

payment.

Thus there is a quality attaching to money, in common

apprehension, which clearly distinguishes it from all forms

of credit. It is, so far as the giver of the money is con-

cerned, a final closing of the transaction. The man who

gives a check or bill of exchange must guarantee its

payment, and is liable if it be not paid ; while the drawer

on the other hand retains the power at any time of stopping

payment before that has been actually made. Even the

man who gives a horse or other commodity in exchange

must, save as to certain things and with the observance of

certain requirements, guarantee title, and that it shall

possess certain qualities expressed or implied. But in the

passing of money the transaction is closed and finished,

and there can be no further question or recourse. For

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money is properly recognized by municipal law as the

common medium of exchange.

All such things as checks, drafts, notes, etc., though they

largely dispense with and greatly economize the use of

money, do so by utilizing credit. Credit as a facilitator

of exchange is older than money and perhaps is even now

more important than money, though it may be made into

money, as gold may be made into money. But though it

may be made into money, it is not in itself money, any

more than gold of itself is money, and cannot, without

confusion as to the nature and functions of money, be

included as money.

What then shall we say that money is f

Evidently the essential quality of money is not in its

form or substance, but in its use.

Its use being not that of being consumed, but of being

continually exchanged, it participates in and facilitates

other exchanges as a medium or flux, serving upon a larger

scale the same purpose of keeping tally and facilitating

transfers as is served by the chips or counters often used

in games of chance\*

This use comes from a common or usual consent or

disposition to take it in exchange, not as representing

or promising anything else, but as completing the

exchange.

\* It is most important that this purely representative character

of money should be thoroughly understood and constantly kept in

mind, for from the confusion resulting from the confounding of

money with wealth have flown the largest and moBt pernicious results.

It was the basis of that anti-social theory of international exchanges

which has cost European civilization such waste of labor and drain

of blood, formerly known as the mercantile system and which sur-

vives in the protectionism of to-day. And it is at the bottom of

those theories prevalent in the United States to-day which seek to

increase wealth by increasing money.

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The only question any one asks himself in taking money

in exchange is whether he can, in the same way, pass it on

in exchange. If there is no doubt of that, he will take it ;

for the only use he has for money is to pass it on in

exchange. If he has doubt of that, he will take it only at

a discount proportioned to the doubt, or not take it at all

What then makes anything money is the common con-

sent or disposition to accept it as the common medium

of exchange. If a thing has this essential quality in any

place and time, it is money in that place and time, no

matter what other quality it may lack. If a thing lacks

this essential quality in any place and time, it is not

money in that place and time, no matter what other qual-

ity it may have.

To define money :

Whatever in any time and place is used as the common

medium of exchange is money in that time and place.

There is no universal money. While the use of money

is almost as universal as the use of languages, and it

everywhere follows general laws as does the use of lan-

guages, yet as we find language differing in time and

place, so do we find money differing. In fact, as we shall

see, money is in one of its functions a kind of language

—the language of value.

CHAPTER m.

MEDIUM OP EXCHANGE AND MEASURE

OP VALUE.

SHOWING HOW THE COMMON MEDIUM OF EXCHANGE BECOMES

THE COMMON MEASURE OP VALUE, AND WHY WE CANNOT

FIND A COMMON MEASURE IN LABOR.

Money is most exchanged— Why not measure value by labor t—

Smith's unsatisfactory answer— The true answer—Labor can

afford no common measure, and commodities are preferably taken

—Survivals of common measures— Difference in common measures

does not prevent exchange.

I HAVE in the last chapter defined money as whatever

is at any time and place used as the common medium

of exchange. This is indeed the primary quality of money.

But proceeding from this use as a common medium of

exchange, money has another and closely conjoined use-

that of serving as a common measure of value.

The reason of this is that the use of money as a common

medium of exchange, which causes it to be esteemed for

exchange and not for consumption, makes it of all

exchangeable things that which in civilized societies is

often and most commonly exchanged. A given portion

of wood or coal, for instance, may be used by the producer

and thus not be exchanged at all ; or it may be exchanged

once or perhaps even half a dozen times between cutting or

mining and its reaching in the hands of the consumer the

ultimate end for which it was produced, the combustion

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that supplies heat. So it is with potatoes or wheat or corn.

The majority of horses are probably not exchanged at

all during their working days, and it would be a much

exchanged horse who should have six owners during his

life. Cotton and wool and hemp and silk may pass from

one to half a dozen exchanges before they assume the form

of cloth or rope, and in that form may pass through from

two to half a dozen more exchanges before reaching the

consumer. And so with lumber or iron or most of the

forms of paper, meat or leather. Not only is the ultimate

purpose of the exchanges of such things destructive

consumption, but they are mainly composed of things

which if not soon consumed will wear out or decay.

Money, on the other hand, is not produced for the

purpose of being consumed, but for the purpose of being

exchanged. This, not consumption, is its use. And we

always seek for its substance materials least subject to

wear and decay, while it is usually carefully guarded by

whoever for the moment may be in its possession. And

further while an article of money may frequently pass

through more hands in a single day than ordinary articles

of wealth are likely to pass through during the whole period

of their existence, the use of money in thought and speech

as a symbol of value brings it to the constant notice of

those who do not often tangibly use it. Thus it is that

the value of the money which is the common medium of

exchange in any community becomes to the people of that

community better known than the value of anything else,

and hence is most readily and constantly chosen to compare

the value of other things.

But here may arise a question, which I wish thoroughly

to answer : If, as explained in Book II., value is in itself

a relation to labor, why can we not find not merely a

common measure of value, but an exact and final measure

of value in labor itself!

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This is a question that perplexes a great many of the

monetary theories that have been broached in the United

States without finding scholastic recognition, and it is

raised but not satisfactorily answered by Adam Smith.

In a passage previously quoted in full\* Adam Smith

says : " But though labor be the real measure of the ex-

changeable value of all commodities, it is not that by which

their value is commonly estimated." And then goes on to

explain the reason of this.

But in the attempt to explain this fact Adam Smith falls

into confusion through the slipperiness of his terms and

misses the true reason. While he says in effect that the

time of exertion will not measure the quality of exertion,

he yet, almost in the same breath, uses time as the measure

of exertion, saying that "every commodity is . . . more

frequently exchanged for and thereby compared with other

commodities than with labor," that "it is more natural

therefore to estimate its exchangeable value by the quantity

of some other commodity than by that of the labor which

it can purchase," and that " the greater part of the people

too understand better what is meant by the quantity of a

particular commodity than by a quantity of labor," thus

ignoring what he had just shown, that it is the labor (in

the sense of exertion) that their possession will save which

determines the value of all commodities. His attempted

explanation of the fact that the real measure of value is

not the common measure of value, amounts to nothing

more than that it is more usual to measure value by

commodities than by labor. This is no explanation of the

fact; it is merely a statement of the fact. We cannot

explain a custom or habit by saying that it is natural or

showing that it is usual. The very thing to be explained

is why it seems natural and has become usual.

\* Page 231.

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Yet in the light of our previous investigation the reason

why the real measure of valne cannot serve as a common

measure of value is clear. It lies in the human constitution.

We become conscious of exertion through the " toil and

trouble " it involves— the feeling of effort and at length of

irksomeness and repugnance that attends its continuance.

Now feeling is an affection or condition of the individual

perception or Ego, which can find objective manifestation

only through action. Even the mother can know the

feelings of the babe only through its actions. If she can

tell that it is hungry or sleepy or in pain, or is satisfied

and happy, it is only in this way.

As we have seen, labor in the sense of exertion, is the

true, ultimate and universal measure of value; what

anything will bring in exchange being always based upon

an estimate of the toil and trouble attendant upon the

exertion which the possession of that thing will save.

But this is an estimate which, though each may make it

for himself, he cannot convey to another directly, since the

feeling of weariness or repugnance, the dislike of "toil

and trouble," which constituting the resistance to, is the

measure of, exertion, can, in our normal condition at least,

be conveyed to, or expressed by one to another only

through the senses.

We make such estimates continually in our own minds,

for memory which registers the experience of the individual

permits us to compare the exertion it has required to do

or procure one thing with what it has required to do or

procure another thing. But to express to another person

my idea of the amount of exertion required to do or procure

a particular thing there must be something that will serve

us as a mutual measure of the resistance to exertion, that

is to say the " toil and trouble n that exertion involves.

Thus, to convey to one ignorant of swimming some idea

of the exertion it requires, I must compare it with some

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exertion with which we are both familiar, such as walking.

Or, if a stranger wishes to know of me what exertion he

will have to make to walk to a certain point, I will tell

him, if I know it, the distance, and give some idea of the

character of the road, for he will have some idea of the

exertion required to walk a given distance on an ordinary

road. If he be a Frenchman accustomed to meters and

kilometers, which neither of us can translate into feet and

miles, I will still be able to convey to him my idea by

saying, so many minutes' or hours' walk, for all men have

some idea of the exertion required to walk for a certain

time. If we could find no common nomenclature of time,

I could still give him some idea by pointing to the dial of

my watch or to the sun, or by finding from whence he had

come, and making him understand that the distance he

had yet to go was longer or shorter, and the road harder

or easier. But there must be some point of mutual

knowledge which will furnish us with a common measure,

for me to make myself intelligible to him at all.

So reversely, a common experience of required exertion

will, in the absence of a more exact measure, give some

idea of distance or area, as

A bowshot from her bower eaves,

He rode between the barley sheaves,

or,

They gave him of the corn-land

That was of public right,

As much as two strong oxen

Could plow from morn to night.

Now while exertion is always the real measure of value,

to which all common measures of value must refer, yet to

get a common measure of value, which will enable us to

express from one to another both quantity and quality

(duration and intensity) of exertion, we must take some

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result of exertion, just as to find a common measure of

heat, light, expansive force or gravitation we must take

some tangible manifestation of those forms of energy. It

is because commodities, being the results of exertion, are

tangible manifestations of exertion that they are generally

and naturally used as common measures of value.

Even where exertion is expressed in time, there is always

at least an implied reference to accomplishment or results.

Where I hire a man to work for me by the day or week

or month in occupations which show tangible result, as in

digging or draining, in plowing or harvesting, in felling

trees or chopping wood, it is always with a certain idea of

the tangible result to be achieved, or in other words, of

the intensity as well as of the duration of the exertion.

If I find no result, I say that no work has been done ; and

if I find that the results are not such as should have come

from a reasonable or customary intensity of exertion with

a reasonable or customary knowledge or skill, I say that

what I really agreed to pay for has not been accorded me.

And disinterested men would support me.

On going ashore in San Francisco, a shipmate of mine,

who could not tell a scythe from a marlinspike, hired out

to a farmer in haying-time for $5 a day. At his first

stroke with the scythe he ran it so deep in the ground

that he nearly broke it in getting it out. Though he

indignantly denounced such antiquated tools as out of

fashion, declaring that he was used to " the patent scythes

that turn up at the end," he did not really feel wronged

that the farmer would not pay him a cent, as he knew that

the agreement for day's labor was really an agreement

for so much mowing.

Tn fact, the form of measuring exertion by time, at

bottom, involves its measurement by result.

This we find to be true even where there is no definite

result. If I hire a boatman or cabman to take me to a

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certain point, the distance, being known, affords a close

idea of the exertion required, and it is the fairest, and to

both parties usually the most agreeable way, that the

stipulation shall be for that result, or as the cabmen in

Europe say "by course!" which is a definite payment for

a definite result. But even were I to take a boat or a cab

without fixed idea of where I want to go, and agree to pay

by the hour, there is an implied understanding as to the

intensity of the exertion for which I am to pay. Either

boatman or cabman would feel that he was not keeping

his agreement fairly, and I would certainly feel so, were

he, for the purpose of "putting in time," to row or drive

at a snail's pace.

So strong is the disposition to take tangible results as

the measure of exertion that even where quality is of more

importance than quantity, as in literary work, the formal

measurement is even in our best magazines and newspapers

by the page or column, differences in quality, real or

expected, being recognized partly in the readiness with

which an article is accepted, and partly in a greater price

per page or per column.

In short, while exertion, including both quantity and

intensity, is always the true and final measure of value, it

is only through the manifestations of exertion that any

common measure of value can be had. Thus commodities

being tangible expressions of exertion become the readiest

common measures of value, and have since the beginning

of human society been so used.

While any commodity, or for that matter any definite

service, may be used as a common measure of value to the

extent to which it is recognized as embodying or express-

ing a certain amount of exertion and thus having a def-

inite, though not necessarily a fixed value, the tendency

is always to use for this purpose the commodity whose

value is most generally and easily recognized. And since

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the commodity which is used as the common medium of

exchanges becomes in that use the commodity which is

oftenest exchanged and whose value is most generally and

easily recognized, whatever serves as the common medium

of exchange tends in that to become the common measure

of value, in terms of which the values of other things are

expressed and compared. In societies which have reached

a certain stage of civilization this is always money. Hence

we may define money with regard to its functions as that

which in any time and place serves as the common medium

of exchange and the common measure of value.

It must be remembered, however, that of these two

functions, use as the common medium of exchange is

primary. That is to say, use as the common medium of

exchange brings about use as the common measure of

value, and not the reverse. But these two uses do not

always exactly correspond.

Thus, in New York and its neighborhood one may still

hear of shillings or York shillings (12} cents) as a measure

of small values. There is no such coin, this use of an

ideal shilling being a survival from Colonial times. So,

in Philadelphia one may hear of fips and levies ; in New

Orleans of picayunes and in San Francisco of bits, sur-

vivals of the Spanish coinage ; and in the far Northwest of

" skins," a purely ideal measure of value surviving from

the time when the Hudson Bay Company bartered with

the Indians for furs. During, and for some time after, the

civil war two different common measures of value were in

co-temporaneous use in the United States— paper money

and gold. But since the resumption of specie payments,

though paper money still constitutes the more largely used

medium of exchange, gold alone has in this country

become the common measure of value. And though gold,

silver and paper are all largely, and generally contempora-

neously, used throughout the civilized world to-day as

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supplying the common medium of exchange, the great

monetary division is between the countries which use gold

as the common measure of value and the countries which

use silver.

But it is still evident, as Adam Smith said, that labor

(in the sense of exertion) is "the real measure of the

exchangeable value of all commodities,"— "the only

universal as well as the only accurate measure of value, or

the only standard by which we can compare the values of

all commodities in all times and in all places. 7 ' For it is

still true, as he said, that " the real price of everything,

what everything really costs to the man who wants to

acquire it, is the toil and trouble of acquiring it. What

everything is really worth to the man who has acquired it,

and who wants to dispose of it or exchange it for something

else, is the toil and trouble which it can save to himself,

and which it can impose upon other people."

Since labor is thus the real and universal measure of

value, whatever any country may use as the common

measure of value can impose little difficulty upon the

exchanges of its people with the people of other countries

using other common measures of value. Nor yet would

any change within a country from one common measure

of value to another common measure of value bring more

than slight disturbance were it not for the effect upon

credits or obligations. In this lies the main source of

the controversies and confusions with which the "money

question " is now beset.

Before going further it would therefore be well, at least

so far as pertains to the idea of money, to examine the

relations of credit to exchange.

CHAPTER IV.

THE OFFICE OF CREDIT IN EXCHANGES.

[showing that the advance of civilization economizes

the use of money.

Tendency to over-estimate the importance of money— Credit existed

before the use of money began, and it is now and always has been

the most important instrument of exchange— Illustration of ship-

wrecked men— Adam Smith's error as to barter— Money's most

important use to-day is as a measure of value.] 1

I HAVE sought to explain the common understanding

of money and the part that it plays in exchanges by

supposing a number of travelers. I did so because it is in

such small and immediate exchanges as a traveler must

make among strangers that the peculiar usefulness of

money is most clearly felt. I did not mean to assume that

the difficulties of barter in all places and times are so great

as those that in the vicinity of New York at the close of

the Nineteenth Century would attend the effort of a traveler

to supply his personal needs by that means of exchange.

On the contrary there are even now parts of the world

where a traveler might find a properly selected stock of

commodities more readily and advantageously exchange-

able than money itself, and the difficulties of barter have

certainly increased not merely with the greater use of

money, but with such modern appliances as post-offices,

i Heading not complete in MS. See Prefatory Note. — H. G. , Jr.

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steamboats, railways, telegraphs and telephones, and with

the greater concentration of population and exchanges

that result from them. Even in our own civilization barter

most have been a more efficient means of exchange in the

times that preceded the great industrial development of

the Nineteenth Century than it is now because people were

more generally accustomed to it. The old traveling

merchants and even the old foreign merchants, who sent

their ships over the maritime world, were largely barterers,

and the stated fairs of which we have now only faint

survivals, but which formed so important a part in the

industrial life of our ancestors, gave place and occasion for

the meeting of those who wished to make a direct exchange

of commodities for commodities or services for services

that are wanting now.

The effect of the general adoption of the more elaborate

and on a large scale more efficient methods of an advanced

civilization is always to relegate to forgetfulness the

simpler methods previously in use. We have become

within a few years so accustomed to the electric telegraph

that we are apt to think that without it men would be

reduced in carrying messages to the means of transporta-

tion by land or water, and to forget that telegraphs were

in use before electric telegraphing was dreamed of. The

convenience of the lucifer match has made its use so

universal, that most of us if thrown on our own resources

without matches, would find it a most serious difficulty to

light a pipe or make a fire. A hunting party of civilized

men, if deprived by accident of their ammunition, might

starve to death before they could kill game even where it

was abundant. Yet at the beginning of this century lucifer

matches were unknown, and men killed game before fire-

arms were invented.

And so it is with money. Its use is so general in our

high civilization and its importance so great that we are

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apt to over-estimate that importance and to forget that

men lived and advanced before money was developed, and

both to underrate the efficiency of the means of exchange

other than that of money, and the amount of exchanging

that even now goes on without any more use of money

than that of a counter or denominator of values.

It is not only that the simplest form of exchange, the

transfer of things desired in themselves for things desired

in themselves, still to some extent continues; but the

advance of civilization which in an early stage develops

the use of money as a medium of exchange begins in later

stages to develop means for dispensing with or much

economizing this use of money. The exchanges between

different countries are still carried on without the use of

money, and so in great measure are domestic exchanges,

even in the same locality. Not merely in the rural districts

and in small transactions is there much exchanging with-

out actual transfer of money, but in the greatest cities, the

largest transactions, habitually spoken of and thought of

as though they involved the transfer of money, really take

place without it. The richer people in fact use compara-

tively little money, even in personal transactions, and I

fancy that a man of good credit who kept a bank-account

might, if he tried to, live from year's end to year's end,

even in a great city like New York (and with less effort in

a smaller place), without a penny of actual money passing

through his hands. His income, if not received in small

amounts, he would get in checks or similar transfers. His

larger expenses he could of course pay for in checks, and

even such things as newspapers, tickets for street-car lines

or railways, or admission to theaters, postage-stamps, etc,

he could with a little effort get in the same way.

Now all this economizing in the use of money, which

we are accustomed to think of as, and indeed in some of

its forms really is, the latest development of a civilization

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that for immemorial ages has been accustomed to the use

of money, is really in essence a return to something that

must have been in use for the facilitating of exchanges

before money was developed among men. That something

is what we call trust or credit. Credit is to-day and in our

highest civilization the most important instrument of

exchange ; and that it must have been from the very first

appearance of man on this globe the most important

instrument of exchange, any one can see, if he will only

discard the assumption that invalidates so much of our

recent philosophy and philosophic history— the assump-

tion that the progress of civilization is a change in man

himself —and allow even prehistoric man the same reason-

ing faculties that all we know of man in historic times

shows to belong to him as man.

Imagine a number of totally shipwrecked men swimming

ashore in their buffs to an uninhabited island in a climate

genial enough to enable them to support life. What would

be their first exchanges! Would they not be based upon

the various forms of the proposition, "I will do or get

this for you, if you will do or get that for me 1 n Now, no

matter where or how they got into this world, this must

have been the position of the first men when they got here,

and all that we can reason from with any certainty goes

to show that these first men must have been essentially

the same kind of men as we ourselves.

If there is any difference in priority between them,

credit must, in the nature of things, have preceded barter

as an instrument of exchange, and must at least from the

very first have assisted barter. What more natural than

that the man who had killed a deer, or made a large catch

of fish, should be willing to give now while he had abun-

dance in return for a promise expressed or implied that

his neighbor when similarly fortunate would in the same

way remember him f The organization of credit into more

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elaborate and finer forms goes on with the development

of civilization, but credit mnst have began to aid exchanges

with the very beginnings of human society, and it is in

the backwoods and new settlements rather than in the

great cities that we will to-day find its direct forms playing

relatively the most important part in exchanges.

In explaining the origin and use of money, Adam Smith

much overrated the difficulties of barter, and in this he

has been followed by nearly all the writers who have

succeeded him. Of the condition before the use of the

metals as money he says (Book I., Chapter IV. of the

"Wealth of Nations"):

One man, we shall suppose, has more of a certain commodity than

he himself has occasion for, while another has less. The former

consequently would be glad to dispose of, and the latter to purchase,

a part of this superfluity. But, if this latter should chance to hare

nothing that the former stands in need of, no exchange can be made

between them. The butcher has more meat in his shop than he him-

self can consume, and the brewer and the baker would each of them

be willing to purchase a part of it. But they have nothing to offer

in exchange, except the different productions of their respective

trades, and the butcher is already provided with all the bread and

beer which he has immediate occasion for. No exchange can, in this

case, be made between them. He cannot be their merchant, nor they

his customers ; and they are all of them thus mutually less service-

able to one another. . . .

. . . The man who wanted to buy salt, for example, and had noth-

ing but cattle to give in exchange for it, must have been obliged to buy

salt to the value of a whole ox, or a whole sheep, at a time. He could

seldom buy less than this, because what he was to give for it could

seldom be divided without loss ; and if he had a mind to buy more,

he must, for the same reasons, have been obliged to buy double or

triple the quantity, the value, to wit, of two or three oxen, or of two

or three sheep. If, on the contrary, instead of sheep or oxen, he had

metals to give in exchange for it, he could easily proportion the

quantity of the metal to the precise quantity of the commodity which

he had immediate occasion for.

Though this explanation of the difficulties attending

barter has been paraphrased by writer after writer since

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Adam Smith, it is an exaggeration so gross as to be

ridiculous. The differentiation of such trades as that of

the butcher, brewer and baker, the fact that men habitually

devote their labor to the production of more of certain

commodities than they themselves can consume, implies a

division of labor that could not possibly take place were

exchange impossible under the circumstances that Adam

Smith assumes. And it is evident that such circumstances

would impose no insuperable difficulty to exchange even

though a true money had not yet come into use. The

butcher, with meat that he wanted to dispose of, would

not have refused the exchange offered by the brewer and

baker because he himself was already provided with all

the bread and beer that he had immediate occasion for.

On the contrary, he would say, " I have no immediate use

for bread and beer because I am already supplied, but I

will give you the meat you want on your promise to give

me its equivalent in bread and beer when I call for them."

Nor need he necessarily wait for his own supply of bread

and beer to be exhausted before calling on the baker and

brewer for the fulfilment of their promises, for since man's

wants are not satisfied with meat, bread and beer alone,

he might want from the tailor a coat, from the grazier a

bullock, from the carpenter a house ; and since they could

not take from him at once full payment in such a

perishable commodity as meat, he could help out his part

of the exchange by telling the baker and brewer to give

to them the bread and beer they had promised him.

That is to say, it is not necessary to an exchange that

both sides of it shall be effected at once or with the same

person. One part or side of the full exchange may be

effected at once, and the effecting of the other part or side

may be deferred to a future time and transferred to

another person or persons by means of trust or credit.

And by this simple and natural device, and without the

intervention of money, salt could be exchanged for less

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quantities of beef or mutton than are likely to spoil before

a single family could consume them. The truth is that

the difficulties of incidence which Adam Smith speaks of

here as if they were inseparable from barter are always

avoided by the use of trust where trust is possible. It is

only where there are no other exchanges going on and it

is not probable that the parties concerned will come into

contact directly or indirectly again, as in a desert or at

sea, that owing to want of incidence no exchange can be

made between them\*

It is really in exchange between those who are unknown

to each other and do not expect to meet each other again

that money performs its most indispensable office (as

illustrated in Book V., Chapter II.). The use of money, by

which the traveler can easily carry with him the means of

supplying his needs, has greatly facilitated traveling ; yet

in the bill of exchange, the letter of credit, Cook's coupons,

and the book of certified checks, which are so largely

displacing money for the use of travelers, we come back

again to the use of trust.

Trust or credit is indeed the first of all the instrumen-

talities that facilitate exchange. Its use antedates not

merely the use of any true money, but must have been

\* But even here there is often something of the nature of exchange,

although it may lack the element of certainty. When a boy, passing

through a street in Philadelphia during a sudden rain, I met a gen-

tleman standing in a doorway and proffered him the shelter of my

umbrella, going a little out of my way to take him to his destination.

As we parted he said, " Tou and I are not likely to meet again, as I

am a stranger here ; but one good turn deserves another, and I will

try to return your service to me by doing such a service for some one

else, telling him to pass it along." Possibly that little kindly service,

which I would have forgotten but for the impression his words mads,

may be "passing along " still. Both good and evil pass on as waves

pass on. Tet I cannot but think that in the long run, good outlives

evil. For as to the normal constitution of the human mind, evil must

bring the wider and more permanent pain, the impulse to its per-

petuation must meet the greater friction.

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coeval with the first appearance of man. Truth, love, sym-

pathy are of human nature. It is not only that without

them man could never have emerged from the savage state,

but that without them he could not have maintained him-

self even in a savage state. If brought on earth without

them, he would inevitably have been exterminated by his

animal neighbors or have exterminated himself.

Men do not have to be taught to trust each other, except

where they have been deceived, and it is more often in our

one-sided civilization, where laws for the collection of

debts have weakened the moral sanction which public

opinion naturally gives to honesty, and a deep social

injustice brings about a monstrous inequality in the

distribution of wealth, and not among primitive peoples,

that the bond is oftenest required to back the simple word.

So natural is it for men to trust each other that even the

most distrustful must constantly trust others.

And trust or credit is not merely the first of the agencies

of exchange in the sense of priority ; it yet is, as it always

has been, the first in importance. In spite of our extensive

use of money in effecting exchanges, what is accomplished

by it is small as compared with what is accomplished by

credit. In international exchanges money is not used at

all, while the great volume of domestic exchange is in

every civilized country carried on by the giving and

cancelation of credits. As a matter of fact the most

important use of money to-day is not as a medium of

exchange, though that is its primary use. It is that of a

common measure of value, its secondary use. Not only

this, but with the advance in civilization the tendency is

to make use of credit as money ; to coin, as it were, trust

into currency, and thus to bring into use a medium of

exchange better adapted in many circumstances to easy

transfer than metallic money. The paper money so largely

in use in all civilized countries as a common medium of

exchange is in reality a coinage of credit or trust.

CHAPTER V.

THE GENESIS OP MONET.

[showing that the law of gratifying desires with

THE LEAST EXERTION PROMPTS THE USE FROM TIME TO

TIME OF THE MOST LABOR-SAVING MEDIUM AVAILABLE.

Money not an invention, but developed by civilization— It grows with

the growth of exchanges— Exchange first of general commodities

—Then of the more convenient commodities— Then of coin, whose

commodity value comes to be forgotten— Illustration of the Ameri-

can trade dollar— The lessening uses of commodity money and

extensions of credit money— Two elements in exchange value of

metal coin : intrinsic, or value of the metal itself, and seigniorage-

Meaning of seigniorage— Exchange value of paper money is seign-

iorage—Use of money not for consumption, but exchange— Propri-

etary articles as mediums of exchange— Mutilated coins— Debased

coinage— When lessening metal value in coins does not lessen

circulating value— This the reason why paper money exchanges

equally with metal money of like denomination.] 1

MONEY is not an invention, but rather a natural

growth or development, arising in the progress

of civilization from common perceptions and common

needs. The same fundamental law of human nature which

prompts to exchange, the law by which we seek to satisfy

our desires with the least exertion, prompts us with the

growth of exchanges to adopt as a medium for them the

most labor-saving instruments available.

i The part of chapter heading within bracket\* not in MS. — H.0., Ja.

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All exchange is of services or commodities. But as

commodities are in reality concrete services they afford

from the first the readiest media of exchange, performing

that office and serving as measures of value not only for

other commodities but for direct services.

But commodities (under which name we include all

movable products of labor, which, as such, have value so

long as they retain the capacity of ministering to desire)

greatly differ in their availability as media of exchange.

Those best fitted for that use are those which are least

perishable, which can be most easily passed from hand to

hand and moved from place to place; which are most

uniform in their articles and most homogeneous in their

structure, so that they may be estimated with most cer-

tainty and divided and reunited with the least waste, and

whose value is from their general use best known and

most quickly recognized.

In proportion as these qualities are united in one com-

modity there is a natural tendency to its use as a medium

for the exchange of other things, and this use tends again

to the wider knowledge and quicker recognition of its value.

In primitive societies, or in the outposts of civilization

where better means were not readily obtainable, skins,

shells, salt, beads, tobacco, tea, blankets, and many other

of the less perishable and more portable commodities, have

in an imperfect way and to a limited extent been used as

common media of exchange and common measures of value,

thus becoming the money of the time and place.\* But

\* Adam Smith and most of the subsequent -writers have included

cattle in the list of things that have in rude times served this func-

tion. Smith says, Book I., Chapter IV., "Wealth of Nations" :

" In the rude ages of society, cattle are said to have been the common

instrument of commerce ; and, although they must have been a most

inconvenient one, yet in old times we find things were frequently

valued according to the number of cattle which had been given in

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the metals, and particularly the precious metals, so well

fill all the requirements of a medium of exchange, that

wherever they have become well known mankind have

applied them to this use. At first they were doubtless

weighed, and perhaps tested, with every passage from

hand to hand; but as their use for purposes of exchange

became more common, the same desire to economize labor

which leads the baker to give his bread the form and shape

of loaves or rolls, and the tobacconist or tea-dealer to put

up his commodities into uniform packages, must soon have

led to the running of the metals used as media of exchange

into pieces of definite weight and purity, so that they may

be passed from hand to hand without the trouble of

weighing and testing them. To make these pieces of

circular form, since that is the most convenient and the

least subject to abrasion in handling, and to afford evidence

that they yet retained their original substance by stamping

their sides and edges, are obvious devices that seem to have

exchange for them. The armor of Diomede, says Homer, cost only

nine oxen ; but that of Glaucus cost an hundred oxen."

Although I have hitherto accepted this statement, closer consid-

eration now convinces me that the inconvenience attaching to such

a use of cattle never could have permitted them to take the place of

money. As for the authority of Homer, the state of the arts assumed

in the Iliad would imply the use of metal money, and the Marquis

Qainier has contended that the oxen spoken of were really coins.

But this supposition is not the only alternative to supposing that the

allusions in Homer's poems are to be taken as indicating that cattle

were in use as the common medium of exchange and common mea-

sure of value. In ordinary speech, and especially in poetry, which

eschews the exactness of monetary terms, such things as cattle, lands,

slaves, have always been used to convey a vague but striking idea of

wealth or value ; and it seems far more reasonable so to understand

the references of ancient writers than to take them as proof that

commodities so inconvenient to divide, preserve and transfer as cat-

tle ever passed from the position of an article of exchange to that of

its common medium and measure.

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been adopted wherever sufficient skill in the arte had been

attained and the metals were in this way used. And thus

by a natural development in use, a commodity peculiarly

adapted to the purpose becomes, in the shape of coined

money, the commodity which serves as a medium of

exchange and measure of value for all commodities and

services, and which has been in use among peoples of the

most advanced civilization for long ages and still remains

in use, though not in exclusive use, to our day.

But while the first purpose of coinage is, we may safely

assume, to save the trouble of weighing and testing the

commodity which has become a common medium of

exchange, the general use of these coins as giving evidence

of weight and purity must gradually have the effect of

transferring the quality of ready exchangeability from the

commodity to the coin. The habit of weighing and testing

passes away j even the amount of the commodity embodied

in the coin is, by the great majority of those who use it,

forgotten or not heeded ; and the shape, size, color and

devices of the coin become the things that give it circula-

tion. An American Eagle, or ten-dollar piece, contains so

many grains of gold of a certain fineness, and exchanges

at the value of the gold. But not one in ten thousand of

those who use this coin, and who know its value in rela-

tion to other things that they are in the habit of buying

and selling, know how many grains of gold it contains.

A man with a ten-dollar gold piece will find no difficulty

in the United States in fairly exchanging it for anything

he may happen to want, but he would find much difficulty

in fairly exchanging the same quantity of gold in the

shape of dust or of an ingot, anywhere except at a mint

or with a bullion dealer.

A curious evidence of this tendency to accept the sign

rather than the substance is given in the history of the

American trade dollar. For many years much of the ex-

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port of silver to China has been in the shape of Mexican

dollars, the stamp of which has become known there as

evidencing a certain weight of silver. Thinking that it

might take the place in China of the Mexican coin the

American government in 1874 coined what was called a

trade dollar. It was a better finished and handsomer coin

than the Mexican dollar, and contained a greater weight of

silver. But the Chinese preferred a coin whose look they

had become familiar with, to one that was new to them,

even though the latter was of greater intrinsic value. The

attempt was a failure, and after an instructive domestic

experience, which it is not worth while to speak of here,

the coinage of the trade dollar was stopped.

Now this transfer of ready exchangeability from the

commodity to the coin, with the accompanying relegation

of the commodity itself to the same position in exchange

held by other commodities, which takes place as a result

of the use of coin money, is a matter of great importance,

leading ultimately to a complete change in the nature of

the money used.

In the coinage of the precious metals the use of com-

modities as a medium of exchange seems to have reached

its highest form. But the very same qualities which of

all commodities best fit the precious metals for this use,

attach or may attach in still higher degree to something

which, having no material form, may be passed from person

to person or place to place without inconvenience from

bulk or weight, or danger of injury from accident, abrasion

or decay. This something is credit or obligation. And

as the advance of civilization goes on, the same tendency

to seek the gratification of desire with the least exertion,

which with a certain advance of civilization leads to the

development of commodity money, leads with its further

advance to the utilization of credit as money.

Movement in this direction may be distinguished along

three lines: 1— The admixture in coinage of obligation

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value with production value. 2— The use of obligation

or credit as representing an economizing commodity

money. 3— The use of pure credit money.

We are here considering only money. Not only is credit '

a facilitator of exchange before money of any kind is

developed, but the same social progress which shows itself

in the development of money also shows itself in the

extension of credit. If the use of money supersedes the

use of credit in some exchanges, it is only where the use

of credit is difficult and inconvenient; and in facilitating

exchanges over wider areas than the use of the primitive

forms of credit would have been equal to, it also increases

that mutual knowledge and mutual desire to exchange

that are necessary to the extension of credit. Although the

primary and local function of money is that of affording

a common medium of .exchange, its secondary function of

affording a common measure of values soon becomes of

greater importance, and the extension of credits in our

modern civilization is far more striking and important

than the extensions in the use of money as a medium of

exchange. Though the use of any particular money as a

medium of exchange is still local, the money of any one

country circulating only to a very limited extent in other

countries, yet the development of credits has been such

that the exchange of commodities to the ends of the earth

and among peoples using different moneys as mediums of

exchange, is conducted by means of it. But what we are

considering now is not this development of commercial

credits, but the way in which the use of commodity money

passes into the use of 'credit money ; or in other words, the

way in which the coinage of production value into a

convenient medium of exchange passes into the coinage

of obligation values.

The demand for any metal in exchange is at first, like

the demand for other things in exchange, a demand for

consumption; and its value or rate of exchange, is

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determined by the cost of producing it in merchantable

form. As one or another of the metals began to come

into use as a medium of exchange, the largest demand for

it would doubtless for some time still be for consumption,

and any change in the form of the metal made to fit it for

this new use would at first entail little or no greater cost

than that of the ordinarily merchantable form. Thus the

value of the metal used as money would at first be no

greater than that of the same metal intended for consump-

tion. But when coinage fairly began, something more of

labor would be required to produce the stamped and

finished coin than to produce the mere ingot of merchant-

able shape.

Hence there are, or may be, two elements in the

exchange value of metal coin— (1) the intrinsic value, or

value of the metal itself, which is governed by the cost of

producing it in merchantable form; and (2) the cost of

changing it from that form into the form of finished coin.

This second element, the charge for coinage, is called

seigniorage, from the idea that the coining of money has

from the earliest times been deemed a function of the

sovereign— the seignior or lord— as representative of

organized society or the state.

There are two different ways in which it has been

customary to pay for turning a merchantable material

into a finished product. Thus : From time immemorial

until the present when machinery has begun to revolu-

tionize industrial methods, it was the custom for the man

who wanted a suit of clothes to buy the material, take it

to a tailor, and pay him for the work of making it into a

suit. The tailor was not presumed to keep any of the cloth,

and if he did so it was called " cabbage." During the

same time it was, on the contrary, the universal custom for

the miller to get his pay by keeping a part of the material

brought him for conversion. The farmer or purchaser

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brought his grain to the mill, receiving back less than its

equivalent in meal, the difference being the toll that the

miller retained for the service of grinding. The manu-

facturer who is now succeeding both the old tailor and

the old miller buys the material and sells the finished

product.

Now the conversion of metal into coin seems always to

have been paid for in the same way as the conversion of

grain into meal or flour, by a toll or deduction in the

return. This toll or seigniorage may be less or more than

the actual cost of coinage. It is what the lord or state,

who has the sole privilege of coinage, chooses to take for

it; the difference between the rate at which metal is

received or bought at the mint and the rate at which it is

returned or issued in coin.

Had the coinage of mfetal into money been left to the

free competition of individual enterprise, the charge for

this conversion would have tended to the lowest point at

which coin could be produced in sufficient quantities to

supply the demand. But so far as we can see this has

never been the case. The primary object of coinage being

the certification of weight and fineness, that is obviously

best assured by the stamp of the highest and most widely

known authority, that of the sovereign or state. Where

coinage is thus monopolized in the hands of the sovereign,

the element of seigniorage in the value of coin may be

eliminated altogether by the agreement or practice of the

sovereign to return in coin the full amount of metal

brought to his mints, as is to-day the case in some countries

with some metals ; or it may be extended so as to become

the most important of the two elements in the value of

coin by the refusal of the sovereign to coin on other terms

and the exclusion or refusal of other coinage. Indeed,

by the selection of some very cheap commodity for the

material of coinage, it may become practically the only

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element of value. For, as Eicardo pointed out, the whole

exchange value of paper money may be considered as a

charge for seigniorage.

The reason of this fact that, the issuance of money bein g

a monopoly, the element of intrinsic value may be partially

or entirely eliminated without loss of usefulness, is to be

found in the peculiar use of money. The use of other

commodities is in consumption. The use of money is in

exchange. Thus the intrinsic character of money is of no

moment to him who receives it to circulate again. The

only question that he is concerned with is as to the

readiness of others to receive it from him when he wants

in his turn to pass it on. And this readiness where coined

money comes into use as the common medium of exchange

is associated with coinage, which becomes the badge or

stamp of circulation.

There are to-day certain commodities having a large

and wide-spread sale in neatly put up packages under pro-

prietary names, such as Pears' Soap, Colman's Mustard,

Royal Baking Powder, and so on. The reputation as to

quantity and quality of contents which has been secured

for the packages bearing such a trade-mark gives their

manufacturers proprietary profits often very considerable

that are analogous to seigniorage. For a short time and

to a small extent these profits might be increased by

decreasing the quality of the goods. Those who bought

them to sell again would at first be unconscious of the

difference and would buy as before. But as soon as they

reached the hands of purchasers for consumption, the

difference would be detected and the demand would

decline, for the demand of those who buy such things to

sell again springs from the demand of those who buy for

consumption.

But (and the expedients resorted to in times of sudden

and acute monetary scarcity may suggest this) let us

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imagine some such proprietary packed article to pass into

use as the medium of exchange. The increased demand

caused by the new and wider use would enable the owners

of the trade-mark, by restricting supply of which they

would have exclusive control, to carry up the value of the

article so far above that of the contained commodity that

it would pass out of use for consumption. Tet so long as

the demand for it as a medium of exchange continued, it

would have use for that purpose, and the owners of the

trade-mark could not merely keep up the price, but could

with impunity reduce the quantity and quality of the

contents of their packages to almost any extent. For

since every acceptance of a thing in exchange is in reality

a purchase of it, and every transfer of it in payment of

an obligation or in return for any other thing is in reality

a sale, the entire demand for an article used only as a

medium of exchange would be with a view to subsequent

sale— would be a demand of merchants or traders, who are

not concerned with the intrinsic qualities of what they buy

to sell again, but only with its salability.

In the illustration I have used, the possibility of les-

sening the quality or quantity of the packages without

lessening their value as a medium of exchange, is depend-

ent on their having passed out of use for consumption

and the demand for them being entirely the demand

for use in exchange. For, so long as any part of the

demand was a demand for consumption, the lessening of

commodity value would, by checking the total demand,

operate at once to reduce value not merely of that part

used for consumption, but that part used for exchange.

Now the first coined money being commodity money,

the demand for it would be for a long time, in part at least,

a demand for consumption. In the simpler stage of the

arts, coin would be much more frequently than now beaten

or melted into plate, adornments, ornaments, etc. And

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more important still perhaps, it would continue to be used

as a commodity in the exchange with other countries,.

It is probable that the coinage of the more important

sovereigns had a far wider area of diffusion when inter-

national commerce was much less than it is now. For,

although the area of commerce was more limited than

now, there was proportionately more of the area without

any coinage of its own, and the development of credit as

a medium of international exchanges, the use of coin in

them as a conveniently portable commodity, was probably

relatively greater than now.

Now, the demand for coin sent abroad, as American

gold sent to England, like the demand for coin for use in

the arts, is a demand for use in consumption and would

quickly show itself in a lessening of aggregate demand

and consequently of value, upon a reduction of the com-

modity value of coin, no matter how strictly the workmen

of the mints were sworn to secrecy, as was the device of

sovereigns who contemplated deteriorating their coinage.

But still more important is the fact that in order to

keep up the value of coin while diminishing its intrinsic

value it is necessary that the supply be strictly limited.

But the sovereigns, whether princes or republics, who

have resorted to the expedient of debasing their coinage

have generally done so for the purpose of turning the

same amount of metal into more coin, rather than that of

keeping the same amount of coin in circulation with the

use of less metal, or have been unable to resist the temp-

tation to do this when they found opportunity.

That the circulating value of money need not necessarily

depend on its intrinsic value, must have been clear to

discerning men as soon as the habitual use of coined

money had made its signs and emblems the accepted

tokens of value, so that it passed from hand to hand

without testing and usually without weighing. The fact

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that coins that had lost something of their intrinsic value

by abrasion continued to pass current, must have made

clipping and filling and sweating, early devices of the

cunning, which raised figures and milled edges would not

prevent, unless supplemented by such mercantile stipulation

or legislative enactment as secured common agreement not

to accept such coins. This of itself would show that the

circulating value of a coin did not as a matter of fact

depend upon the value of the material it contained.

Thus to the ministers and advisers of the sovereigns,

who seem everywhere to have assumed from the first

exclusive privilege of coining, it must have seemed an

easy and safe economy to reduce the cost of the coin by

substituting for its material some part of cheaper metal

Hence came those numerous and repeated reductions in

the value of coins which are a marked feature in all

monetary history ; which have reduced the English pound

sterling to but a fraction of its original equivalence to a

pound troy, and in other countries have brought about a

still greater difference.

So far as the principal and most important coinage is

concerned, these attempts have from time to time ended

in disaster, and in the final reunion of circulating value

with commodity value, either by the rejection and with-

drawal of the debased coin and a recoinage, or more

frequently by the lowering of the circulating value to the

level of the commodity value.

This, however, is not a necessary result of a debase-

ment of coinage, as is so often assumed. A less valuable

metal may be substituted in a coin for a more valuable

metal without lessening the circulating value, provided—

and this is the essential condition — it continues to

be as hard for those who use the coin in exchanges to

get the one as it was to get the other; or in other words

that it continues to represent the same exertion.

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For all exchange is really the exchange of labor, and

the rate at which all things tend to exchange for all other

things is determined by the relative difficulty of obtaining

them. That a ten pound note of the Bank of England,

having practically no intrinsic value, will exchange for

ten gold sovereigns, having an intrinsic value of that

amount of gold— that a five dollar note of the government

of the United States, having no intrinsic value ; five silver

dollars, having an intrinsic value of something like two

dollars and a half; and a five dollar piece, having an

intrinsic value of five dollars, will exchange in this country

for each other or for the same amount of commodities or

services of any kind, is because the difficulty of getting

these things, the quantity and quality of exertion ordinarily

required to obtain them, is precisely the same. Should it

become in the slightest degree harder to get one of these

things than the others, this will show itself in a change of

the rate at which they exchange. In this case we say that

the one commands a premium or that the others bear a

discount.

The difficulty of procurement which brings to the same

value the gold coin, silver coin and notes spoken of, so

that they will exchange for each other or for equal quan-

tities of other things, is, though of the same intensity, of

different kinds. In the gold coin, it is the difficulty of

mining, refining and transporting the metal (for neither in

Great Britain nor in the United States does the govern-

ment make any charge or exact any seigniorage\* for the

coinage of gold). In the silver coin, it is partly the difficulty

of obtaining the metal and partly the difficulty imposed

by the only terms on which the government will coin silver

dollars—or in other words, by the seigniorage it demands.

In the notes, it is the difficulty imposed by the restrictions

on the issuance of such notes—or, as it may be considered,

all seigniorage. What in short, gives to the paper notes

or coins of small intrinsic value the same exchange value

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as the gold coin, is that the government concerned, which

has the monopoly of coinage in its respective country, will

not issue one of them on any less terms than it does the

other, thus making them all to the individual equally hard

to get.

What has everywhere caused the failure of the innumer-

able attempts to reduce the intrinsic value of the principal

and important coin, without reducing its circulating value,

is not the impossibility of the task, but the fact that the

sovereigns who have attempted it did not, and perhaps

could not, observe the necessary condition of success, the

strict limitation of supply. But the purpose of the

sovereigns, whether princes or republics, in debasing

coinage has been, or under pressure of the temptation has

become, not an attempt to make a less value in metal

serve for the same quantity of coin, but to issue a greater

quantity of coin on the same value in metal. Thus instead

of restricting the supply of coin to the point where the

demand for its use as a medium of exchange would keep

up its exchange value irrespective of the lessening in its

intrinsic value, they proceeded at once to increase supply

on a falling demand, and met the inevitable depreciation

of circulating value by fresh increase of supply, so that

no matter how much the intrinsic value of the coin was

reduced, its circulating value followed.

[Principle same as that which caused depreciation in French

assignat, Continental money, etc.] 1

It is this fall of circulating value with the fall of intrinsic

value where it is not kept up by restriction of supply that

has through succeeding depreciations reduced the English

pound sterling to but a fraction of its original equivalence

to a pound troy, and in other countries has brought about

a still greater difference.

» Note In MS. hnHi^\*™g illustration to be doraloped by author. — H. G., J\*.

CHAPTER VI.

THE TWO KINDS OF MONEY.

[showing that one originates in value from produc-

tion, THE OTHER IN VALUE FROM OBLIGATION.

Money peculiarly the representative of value— Two kinds of money

in the more highly civilized world— Commodity money and value

from production— Credit money and value from obligation — Of

credit money— Of commodity money— Of intrinsic value— Gold

coin the only intrinsic value money now in circulation in the

United States, England, France or Germany.] 1

WHILE value is always one and the same power, that

of commanding labor in exchange, there are as we

have seen, with reference to its sources, two different

kinds of value— that which proceeds from production and

that which proceeds from obligation. Now money is pecu-

liarly the representative of value— the common medium or

flux through which things are exchanged with reference

to their value, and the common measure of value. And

corresponding to and proceeding from this distinction

between the two kinds of value, there are, we find, two

kinds of money in use in the more highly civilized world

to-day— the one, which we may call commodity money,

originating in the value proceeding from production ; and

the other, which we may call credit money, originating in

the value proceeding from obligation.

This distinction has of course no relation to differences

of denomination, such as those between English pounds,

i Merely the title in this heading appears in MS. — BL Q., Jr.

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French francs and American dollars. These are but

differences of nomenclature. Nor yet does it coincide

with differences in the material used as money, as for

instance that between metal money and paper money.

For while all paper money is credit money, all metal

money is not commodity money. What I understand by

commodity money is money which exchanges at its value

as a commodity, that is to say, which passes current at no

more than its " intrinsic value/' or value of the material

of which it is composed. Credit money is money which

exchanges at a greater value than that of the material of

which it is composed. In the one case the whole value for

which the money exchanges is the value it would have as

a commodity. In the other case the value for which the

money exchanges is greater than its commodity value, and

hence some part at least of its exchange value as money is

given to it by credit or trust.

For instance, a man who exchanges ten dollars' worth

of wheat for a coin containing ten dollars' worth of gold

makes in reality a barter. He exchanges one commodity

for an equal value of another commodity, crediting or

trusting nobody, but having in the coin he has received a

commodity which, irrespective of its use as money, has an

equal value to that he gave. But the man who exchanges

ten dollars' worth of wheat for a ten-dollar note receives

for a commodity worth ten dollars what, as a commodity,

has only the value of a bit of paper, a value practically

infinitesimal. What renders him willing to take it ap an

equivalent of the wheat is the faith or credit or trust that

he can in turn exchange it as money at the same valuation.

If he drops the coin into the sea, he loses value to the

extent of ten dollars, and the sum of wealth is lessened by

that amount. If he burns the paper note, he suffers loss,

to the value of ten dollars, but he alone ; the sum of wealth

is only infinitesimally lessened. Paper money is in truth

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of the same nature as the check or order of an individual

or corporation except (and in this lies the difference that

makes it money) that it has a wider and readier credit

The value of the coin of full intrinsic value, like the value

of the wheat, is a value that comes from production. But

the value of the paper money is, like the value of the cheek

or order, a value from obligation.

The first money in use was doubtless a commodity

money, and there are some countries where it is still the

principal money, and places perhaps where it is the only

money. But in the more highly civilized countries it has

been very largely superseded by credit money. In the

United States, for instance, the only commodity or intrinsic

value money now in circulation is the gold coinage of the

United States. Our silver dollars have an intrinsic or

commodity value of only some fifty cents, and the value

of our subsidiary coinage is still less. That they circulate

in the United States at the same value as gold shows that

their exchange value has no reference to their intrinsic

value. They are in reality as much credit money as is the

greenback or treasury note, the difference being that the

stamp, which evidences their credit and thus secures their

circulation, is impressed not on paper, but on a metallic

material. The substitution of what is now the cheapest

of metals, steel, or the utter elimination of intrinsic value,

would not in the slightest lessen their circulating value.

What is true of the United States in this respect is also

true of England, of France, of Germany, and of all the

nations that have adopted gold as the common measure of

value. Their only commodity money is certain gold coins ;

their other coins being token or credit money. In the

countries that have retained silver as the common measure

of value the standard coin is generally commodity money,

but the subsidiary coins, having less intrinsic value, are in

reality credit money.

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