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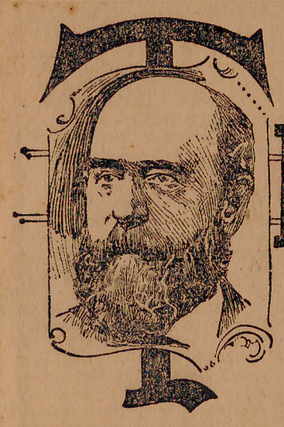

THE SCIENCE OF POLITICAL ECONOMY-

HENRY GEORGE'S LAST AND GREATEST WORK

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BOOK IV.

THE NATURE OF DISTRIBUTION.

CHAPTER I.

The Meaning of Distribution.

SHOWING THE MEANING AND USES OF THE WORD DISTRIBUTION. THE PLACE AND MEANING OF THE ECONOMIC TERM, AND THAT IT IS ONLY CONCERNED WITH NATURAL LAW.

Derivation and uses of the word—Exchange, consumption and taxation not proper divisions of political economy—Need of a consideration 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 co operator 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 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 in the separation into pouches or bags according to the common destination of the mail matter brought in for transmission, or of 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 the letters and spaces in the sequence that form words into a "stick." 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 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 becomes distributer, takes in his left hand so that he can read it 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 made afterward 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 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 co-operative 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. (Chapter I, Book 1.) But in that higher state of humanity where separate units, each moved to action by the motive of satisfying its individual desires, co-operate to production, there necessarily arises, when the product has been obtained, the question of its distribution.

Distribution a Continuation of Production.

Distribution is, in fact, a continuation of production—the latter part of the same process of which production is the first part. For the desire which prompts to exertion in production is the desire for the satisfaction, and distribution is the process by which what is brought into being by production is carried to the point where it yields 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 distributon of wealth. With what becomes of wealth after it is distributed political economy has nothing whatever to do. It can only take any further account of it should it again be re-entered 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 co-operative 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 originating in my desire for potatoes is finished when I get the potatoes, or rather when they are put at my disposal at 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 seeds, 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 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 or 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 illustration. What we have to seek are those laws of the distribution of wealth which belong to the natural order—laws that 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 times and places the same, and though they may be crossed by human enactment, can never be annulled or severed 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 treating of the distribution of wealth been utterly ignored, and even flatly denied. This is the case with the best and most systematic of them.

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 SUBSEQUENT 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.

John Stuart 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 quote from it the argument from which it is assumed that the laws of distribution with which political 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 introductory and the thirteen chapters devoted to "Production," and thus states the fundamental principle on which he endeavors to conduct his whole inquiry into distribution, the principle that distribution is a matter of human institution solely:

The principles that 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 structure. * * *

Distribution of Wealth Depends on Laws of Society.

But it is not so with the Distribution of Wealth. That is a matter of human institution solely. The things once there, mankind individually or collectively can do with them as they like. They can place them at the disposal of whomsoever they please, and on whatever 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 preventing 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 feelings 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 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 of 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 the highest reputation as a logician, by a great work on systematic logic, that is repeated and accepted to this day by professors of political economy in universities and colleges that make systematic logic a part of their curriculum.

To make this examination is to see that the plausibility of the argument comes from the leading proposition—"The things once there, mankind individually or collectively can do with them as they like." It is evidently this that in the mind of Mill himself and in the minds of the professors and students who have since gone over his "Principles of Political Economy," has seemed to prove beyond peradventure that though the laws of production may be natural laws, the laws of distribution are human laws. For in itself this proposition is a self-evident truth. Nothing, indeed, can be clearer than that "the things once there, mankind individually or collectively can do with them as they like"—that is to say, wealth once produced, human law may distribute it as human will may ordain.

Yet while this proposition that things once there mankind can do with them as they like, is in itself irrefutable, the argument in which it is introduced is an egregious instance of the fallacy called by the logicians petitio principii, or begging the question. The question that Mill is arguing is whether what is called in political economy the distribution of wealth is a matter of natural law or a matter of human law, and what he does is to cite the fact that in what is called in human law the distribution of wealth, mankind can do as they like, and assume from that that the distribution of wealth in the economic sense of the term is a matter of human law—"a matter of human institution solely."

Such a fallacy could not have been proposed by Mill, himself a trained logician, nor could it have passed current with the trained logicians who since his time, leaving 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 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 rule, the simple plan,
That he shall get who has the power,
And he shall keep who can,"

to societies where the most elaborate machinery for declaring and enforcing human laws of distribution exist, such laws of distribution are and always must be based upon human will and human force.

How, then, can we talk of natural laws of distribution? 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? 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 (Chapter VIII., Book I.), are the names which we give to the invariable uniformities of co-existence and 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? They could do so with no more remonstrance from the things themselves or from external nature that would attend the rifling of Egyptian tombs by Bedouins. Why should not civilized men rifle the product of farm or mine or mill as soon as they appear? Human law interposes 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 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, then, this inevitable result is not a consequence of human law, but a consequence of natural law. Not a consequence of the natural laws of matter and motion, but a consequence of natural laws of a different kind—laws no less immutable 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 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 awhile 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 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 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 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 OF NATURAL LAW IN 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 production—Mill's confusion and 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 distribution are human laws, without at least a glance toward 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 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 these 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 *from*. 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 succession—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 breaking windows and 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 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.

Sequences of Human Action, or "Practical Results."

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?" 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 effort 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

Section I., Chap. I., Book II., "Principles of Political Economy."

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 toward the distribution of wealth, and frame for their action such laws as the ruling portion of the 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 toward the distribution of wealth, as gravitation modifies the fight 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 to 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 phenomena 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 distribution 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 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 carry 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 goverance 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.

Human Laws Change, Natural Laws Do Not.

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 knowledge 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 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 distribution, so that the laborer as laborer will get more wages or less wages, the capitalist as capitalist more interest or less interest, or the land owner as land owner 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 unavallingly.

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 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 books a law limiting, though with considerable holes, the rate of interest to six per cent. But such laws never have 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 to in the case of rent. The British Parliament has recently attempted to reduce agricultural rent in certain cases in Ireland by instituting officials with power to fix "fair rents"—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 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 property 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," and formally proceeds "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," yet we find him afterwards (Sec. I. Chap. III. Bk. 11,) speaking of laws according to which "the produce distributes itself by the spontaneous action of the interests of those concerned." 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 tides; 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*.

The truth is that in the long discussion of the distribution of wealth, which John Stuart Mill's "Principles of Political Economy" succeeds to what I have quoted, he 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 Rappists, the followers of Louis Blanc and Cabet, St. Simonism and Fourierism, he rambles along, mixing what properly belongs to the science of political economy with discussions of competition and custom, slavery, peasant proprietors, metayers, cottiers, 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 take to be the laws of distribution of wealth must, after going through this mass of dissertation, keep on through some forty chapters of 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 exposition 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 distribution 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 at even order and precision. Whoever would have an economic contrast suggested to him like that of Hamlet's "Hyperian to a Satyr," let him compare John Stuart Mill's "Principles of Political Economy" with the most pretentious of recent "Principles 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 laws of distribution are 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 lays 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 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.

Production of Wealth and Right or Justice.

In considering the production of wealth we are concerned 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 only say 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 others 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 envelope; 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.

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 consciousness 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 each 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 or distribution involves the ethical principle is necessarily a consideration 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 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 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 considers 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. was referred to—that the immutable character 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 that determines ownership—John Stuart Mill recognizes this; but extending his error, treats property as a matter of human institution solely. His assertion is quoted and examined. His utilitarianism—His further contradictions.

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 is law of nature is to say that the distribution of wealth is a matter of natural law.

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 introductory 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 this 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. Contradictions and confusions are, however, as marked in his discussion of property as in his discussion of distribution.

Legal Effect of First Occupancy.

This is shown in the introductory paragraph of his treatment of property. Sec. 2, Chapter II., Book I., 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 time, to show that tribunals (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.

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 consideration 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, for 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 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 in the desire to repress violence, we are told, the italics being mine:

The social arrangements of modern Europe commenced from a distribution of property, which was the result, not of *just* partition or acquisition by industry, but of conquest and violence; and, notwithstanding 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 conformed 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 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. He says:

Private property in every defence made of it is supposed to mean the guarantee to the 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, whether 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 *ought* of moral law, to give sanction under certain circumstances to human law, declaring that:

Possession which has not been legally questioned within a moderate 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 possessions—that is to say, possession by 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 dispossessing acts of injustice of old date cannot apply to *unjust* 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 hence 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 defence 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.

Causes of Confusion as to Property.

SHOWING WHY AND HOW POLITICAL ECONOMISTS FELL 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 substituting in place of the economic term "land" the word in its colloquial use—The different senses of the two words illustrated from the shore of New York harbor. Mill attempts to justify property in land, but succeeds only in justifying property in wealth.

Let us pause a moment before we go further in our 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 preceeded, 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 land owners. Since natural law can take no cognizance of the ownership of land, they are driven in order to support 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 toward 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 justification of property, the right of the producer to the product, is even more painfully clear when he comes, as he does in Sec. 3, Chapter II., specifically to treat of it.

He begins this by another admission of the truth utterly inconsistent with the derivation of property from expediency, 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.

Essential Principle of Property.

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 produced by labor is afterward 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.

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 economics, I will quote it in full, distinguishing by italics the sentence already given:

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.

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 ploughed 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 population 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 valuable 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 cultivation. 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 of the world, composed of the material of the Godwin 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 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 sure of having always a sufficient period as when his tenure is perpetual.

These are the reasons which form the justification in an economical 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 paraphrases for economic terms, such as "raw material of the earth" and "gift of nature" for land; "industry" for labor, and "valuable qualities"* for useful qualities, or productive powers. But to consider carefully these reasons which are held to justify the justifiable, 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 Has Two Distinct Senses.

The word land, as before explained, has two senses. One of those is that of the dry and solid superfices 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." The other, the economic sense of the word, is that of the natural or passive element in production, including the whole external 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 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 *ifs* 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 *ifs*? Miss 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 productive 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 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? 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" 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 he succumbed are in these closing years of the century being crammed into the minds of young people by a thousand "professors of political economy."

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 atmosphere 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?" If in ordinary talk I was 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 refers 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 changed by the exertion of the human factor labor, so as to fit it for the satisfaction of human desires. For water and clouds, sky and sun, and the stars that will appear when it 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 the transatlantic 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 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 distinguished 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. The Bedford Level, which is land that has been drained; the cultivatable bog of Ireland, which is land that has had a coating of soil put on it; the improved farm he refers to, which is land cleared or manured by labor, belong all of them to the same economic category as the little piece of "made land" 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.

*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 Chapter viii., Book II.

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 to the truth of what he has before said "that in every defence made of it property is supposed to mean the guarantee to individuals of the fruits of their own labor."

END OF BOOK IV.

BOOK V.

THE NATURE OF MONEY AND CREDIT.

CHAPTER I.

Confusions as to Money.

SHOWING THE DIVERGENCE IN COMMON THOUGHT AND AMONG ECONOMISTS AS TO MONEY.

Present confusion as to money—Their cause—How to disentangle them.

There is no social idea or instrument with which 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 transactions, 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 divergencies. 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 wild 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 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 sure knowledge on the question is beyond his comprehension."

What Is Meant by Money.

The very latest American Cyclopaedia (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 partially used as money can be so used as a representative 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 fiat 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 government or banks.

Much of the contradiction and confusion which exists in popular thought proceeds from the pressure of personal interest 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 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 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 contradictory statements of facts 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 prenomena that are obvious now and to us. For economic laws must be as invariable as physical laws, and as the chemist or astronomer can only safely proceed from relations which he sees, do here and now exist, to infer what has existed or will exist in another time and place, so it is with the political economist.

Yet we find, if we consider them, that these divergencies 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 concensus 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 II.

The Common Understanding of Money.

SHOWING THAT THE COMMON USE OF MONEY IS TO BUY THINGS WITH, AND THAT ITS ESSENTIAL CHARACTER IS NOT IN ITS MATERIAL CHARACTER, BUT IN ITS USE.

The use of money in exchange for other things—Buying and selling—Illustration of the travellers—Money not more valuable than other things, but more readily exchangeable—Exchanges without money—Checks, etc., not money—Different money in different countries—But money not made by government fiat—Does not necessarily consist of gold and silver—Or need intrinsic value—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 concensus 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 hold my agreement 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 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 agrement." And the justice of this objection would be recognized by all fair men.

Money Not to Be Considered Intrinsically.

In this—in the ease with which it may be passed from hand to hand in cancelling obligations or transferring ownership—lies the peculiar characteristic of money. It is not in the intrinsic nature of the thing, but in 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 for? 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 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 consciousness of holding at command that with which we may really 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 trade, 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 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 another 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 toward 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 weather, to make a leisurely trip by the high roads for one or 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 checkbook, 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 value or was willing to take them in return for commodities or service. To exchange them at all at anything like a reasonable rate he would have to hunt up some village jeweller 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 traveller 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 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 exchangeable and, indeed, that this ready exchangeability is the essential characteristic of money.

Yet we have but to extend our illustration so as to imagine our travellers 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 travellers 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 traveller 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? 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 pass?

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 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 transactions, it passed only as a commodity.

If it be said that governmental power was not fully exerted in this case; 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 recognition 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; as that of the French assignats; or to that comical episode in which the caustic pen of Dean Swift, writing under an assumed name, balked the whole power of the British Government in their 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 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.

When Gold and Silver Served as Money.

This notion is even more widely opposed to facts than is that of the fiatists. 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 bartender, 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 traveller 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 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 fiat of government nor the action of individuals or 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 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, only do so 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 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 exigency 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 concerned, 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 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, thought 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?

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.

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 only take it at a discount proportioned to the doubt, or not take it at all.

What then makes anything money is the common consent or disposition to accept it as the common medium of exchange. If a thing has this essential quality in any place or time, it is not money in that place or time, no matter what other quality it may lack. If a thing lacks this essential quality in any place or time, it is not money in that place or time, no matter what other quality 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 languages, 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 III.

Mediums of Exchange and Measure of Value.

SHOWING HOW THE COMMON MEDIUM OF EXCHANGE BECOMES THE COMMON MEASURE OF VALUE, AND WHY WE CANNOT FIND A COMMON MEASURE IN LABOR.

Money is never exchanged—Why not measure value by labor? 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 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 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 Used Only for Exchange.

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 symbols 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.

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 (Chap. XI., Book II.) Adam Smith says: "But though labor be the real measure of the exchangeable 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 to 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.

Yet in the light of our previous investigation the reason why the real measure of value 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 only find objective manifestation 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 constitute the resistance to, is the measure of exertion, can, in our normal condition at least, only be conveyed to, or expressed by one to another through the senses.

We make such estimates continually in our mind, 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" that exertion involves.

Thus, to convey to one ignorant of swimming some idea of the exertion it requires, I must compare it with some 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 where 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 more exact measure, give some idea of distance or area, as

"A bow-shot from her bower-eves,
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 plough from morn to night."

Exertion the Real Measure of Value.

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 results of exertion, just as we 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 results, as in digging or draining, in ploughing 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 results, 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.

In fact the form of measuring exertion by time at bottom involves its measurement by results.

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 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 cabman 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 expressing a certain amount of exertion and thus having a definite, though not necessarily a fixed value, the tendency is always to most use for this purpose the commodity whose value is most generally and easily recognized. And since 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 (12½ 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 lovies; in New Orleans of picayunes, and in San Francisco of bits, survival of the Spanish coinage, and in the far West 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, although gold, silver and paper are all largely and generally co-temporaneously used throughout the civilized world to-day as 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." 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 disturbances 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 (5).

I have sought to explain the common understanding of money and the part that it plays in exchanges by supposing a number

* 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 has flown the largest and most 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 survives 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.

(5.) Heading of chapter left incomplete by author.—H. G., Jr.

of travellers. I did so because it is in such small and immediate exchanges as a traveller 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 traveller to supply his personal needs by that means of exchange.

On the contrary there are even now parts of the world where a traveller might find a properly selected stock of commodities more readily and advantageously exchangeable 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, steamboats, railways, telegraphs and telephones, and with the greater concentration of population and exchanges that result from them. Even in our own civilization barter must 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 travelling 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 transportation 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 firearms 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 apt to overestimate 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 without 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 comparatively 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 theatres, postage stamps, etc., he could with a little effort get in the same way.

Credit as An Instrument of Exchange.

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 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 assumption that the progress of civilization is a change in man himself—and allow even pre-historic man the same reasoning 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?" 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 abundance in return for a promise expressed or implied that his neighbor when similarly fortunate would in the same way remember him? The organization of credit into more elaborate and finer forms goes on with the development of civilization, but credit must have begun 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 over-rated 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 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 have nothing that the former stands in needs of, *no exchange can be made between them.* The butcher has more meat in his shop than he himself 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 serviceable to one another.

The man who wanted to buy salt, for example, and had nothing 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 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.

Trust or Credit Merely to Facilitate Exchange.

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 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 Chapter II.). The use of money, by which the traveller can easily carry with him the means of supplying his needs, has greatly facilitated travelling; 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 travellers, we come back again to the use of trust.

Trust, or credit, is indeed the first of all the instrumentalities that facilitate exchange. Its use not merely antedates the use of any true money, but must have been coeval with the first appearance of man. Truth, love, sympathy 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 himself 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 cancellation 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 to thus 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.

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 gentleman standing in the 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, "You 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 made, may be "passing along" still. Both good and evil pass on as waves pass on. Yet 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 perpetuation must meet the greater friction.

CHAPTER V.

The Genesis of Money. (6.)

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.

All exchange is of service 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 certainty 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 commodity 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 others 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 the metals, and particularly the precious metals so well fill all requirements of a medium of exchange that wherever they have become well known mankind has 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 tobacconists or tea dealer to put up his commodities into uniform packages, must have soon 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 been adopted wherever sufficient skill in the arts has 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, as 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; 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 becomes the things that give it circulation. An American Eagle, or $10 piece, contains so many grain 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 relation 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 $10 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 export 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 coined what was called the 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.

Coinage of the Precious Metals.

In the coinage of the precious metals the use of commodities 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 it 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 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, by 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 is 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 only circulating 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 people 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 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 consumption. 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 merchantable 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 seignorage, 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 revolutionize 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.

(6) Another instance of incomplete chapter heading.—H. G., Jr.

*Adam Smith and most of the subsequent writers have included cattle in the list of things that have in rude times served this function. Smith says, Chap. IV., Bk. 1, 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 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 consideration 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 Illiad would imply the use of metal money, and the Marquis Garnier 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 measure 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 cattle ever passed from the position of an article of exchange to that of its common medium and measure.

The farmer or purchaser 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 manufacturer 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 seignorage 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 metal 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 seignorage 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 its 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 element of value. For, as Ricardo pointed out, the whole exchange value of paper money may be considered as a charge for seignorage.

The reason of this fact that the issuance of money being 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 widespread sale in neatly put-up packages under proprietary 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 give their manufacturers proprietary profits often very considerable that are analogous to seignorage. 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 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.

Yet 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 lessening the quality or quantity of the packages without lessening their value as a medium of exchange is dependent 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 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 international 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 commodity 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 temptation 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 that coins that had lost something of their intrinsic value by abrasion continued to pass current, must have made clipping and filing 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 has 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.

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 re-union of circulating value with commodity value, either by the rejection and withdrawal of the debased coin and a re-coinage; or, more frequently by the lowering of the circulating value of the commodity value.

This, however, is not a necessary result of a debasement 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 exchange to get the one as it was to get the other; or, in other words, that it continues to represent the same exertion.

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 an 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 other bears a discount.

Level of Values of Money.

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 quantities 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 the United States does the Government make any charge or exact any seignorage 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 seignorage 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 seignorage. What, in short, gives to the paper notes or coins of small intrinsic value the same exchange value 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 innumerable 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.†].

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 equivalents to a pound troy, and in other countries has brought about a still greater difference.

CHAPTER VI.

The Two Kinds of Money. (8).

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 peculiarly 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, 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 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 as 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 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 check or order, a value of 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.

THE END.

†Note in MS., indicating illustration to be developed by the author.—H. G., Jr.

(8) Heading not finished in Ms.—H. G., Jr.

A Great Gold Mine.

In many odd places throughout the Southwest are to be found silent and melancholy ruins of smelters and ore reducing plants now crumbling into decay. Once they were famous wealth producers; now they are the property of anybody who should think it worth his while to pay freight on the old lumber and iron work. Of them all, perhaps, the most melancholy semi-ruin is that of the old Vulture, at the town of Wickenburg, in Central Arizona. It is still worked in a small way, and ten men find employment in its wonderful labyrinths of drifts. In the early seventies the Vulture was making millionaires. It made at least thirteen of them, and if half the stories told of it be true, not less than twenty millions were stolen from the mine which never was accounted for on the books. It was located by Henry Wickenburg in 1863, and soon became the greatest gold mine in the United States. The old workings give evidence of an almost fabulous ore deposit that was worked to its utmost. The mine was always considered a man-trap, however, and not less than twenty men are known to have been buried beneath its walls of precious ore. In the heydey of Senator Tabor's prosperity he purchased the Vulture and explored it scientifically, only to find that nothing remained of its vast richness but the pillars of rock that supported acres and acres of underground chambers and vaults. In order to partly reimburse himself for his expenditure on the property, Senator Tabor had these pillars "shot out" and converted into bullion, but this left the old Vulture penniless and an unsupported cripple.—San Francisco Call.

Brought Him to Time.

"Mr. Higgamore," said Miss Quickstep, firmly and distinctly, interrupting him, "you have called me a 'lump of sweetness' a great many times, but you have never said you would like to have me regularly with your morning coffee."

Whereupon Mr. Higgamore proposed. There was no way of escape.—Chicago Tribune.

Another Heart Broken.

Scorjel—"Borus, what are you looking so blue about? Have you lost a friend?"

Struggling Author—"I sent a copy of my last play to Naggus, the reviewer, the other day, and he has just written it up. He says it is done in my 'happiest vein.'"

Scorjel—"Well, what's wrong with that?"

Struggling Author—"Confound it, it's a tragedy!"—Chicago Tribune.

Magic Indian Music.

There has been discovered among the Ute Indians, of Colorado, a sort of clarinet, which has a sweeter and more plaintive tone than any of our orchestral instruments. The effect of its sound wafted up to the mountains from the Indian villages is described as being magical.—Pittsburg Dispatch.

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HENRY GEORGE'S GREAT WORK—*PART SECOND.*

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THE SCIENCE of POLITICAL ECONOMY

by

HENRY GEORGE

Author of "Progress and Poverty," "The Land Question," "Social Problems," "Property in Land," "Protection or Free Trade," "A Perplexed Philosopher," "Condition of Labor."

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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 latter no more raised the superstructure of this science than the former created logic. * * * We are, however, 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 admitted 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 advantage.—J. B. Say, 1803.

We may cite as examples of such inchoate but yet incomplete discoveries the great "Wealth of Nations" 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 displays 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, superceded 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. Mahaffy, the present position of Egyptology, Nineteenth Century, August, 1894.

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 history of political economy, I shall attempt briefly to trace its course, from the time of Adam Smith and his predecessors, 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 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 sure 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.

BOOK II.

CHAPTER I.

Confusions as to the Meaning of Wealth.

SHOWING THE FAILURE OF THE CURRENT POLITICAL ECONOMY TO DEFINE WEALTH, AND THE CONFUSIONS THEREFROM, CULMINATING IN THE ABANDONMENT OF POLITICAL ECONOMY BY ITS PROFESSED TEACHERS.

Wealth the primary term of political Economy—Common use of the word. Vagueness more obvious in political economy—Adam Smith not explicit. Increasing confusion of subsequent writers — Their definitions — Many make no attempt at definition—Perry's proposition to abandon the term. Marshall and Nicholson—Failure to define the term leads to the abandonment of political economy—This concealed under the word "economic." The intent expressed by Macleod—Results to political economy.

The purpose of the science of political economy is, as we have seen, the investigation of the laws that govern 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 societies 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 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 indefiniteness and perplexity.

This is not strange. Indeed, it is a natural result of the transference to a wider economy of a term we are accustomed 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; that of the possession of things conducive 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 physical 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 expresses 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 something 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 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 regarded 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 indefiniteness, perplexity 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 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 confusion 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,† has become progressively so much worse confounded that in the latest and most elaborate of these treatises all attempts to define the term seem to have been abandoned.

In "Progress and Poverty" (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 capital, as given by accredited economic writers.‡

Twenty-four Definitions of Wealth.

Although I was then obliged to fix the meaning of the main term wealth in order to fix the meaning of the sub-term 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 confounded. 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 exchange. 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 exchangeable 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 Principles 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. * * * 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.

Fawcett—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 rational wants. A useful service or a useful object is 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.

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 general kinds—natural wealth and wealth produced by labor.

Clark—Usage has employed the word wealth to signify, first, the comparative welfare resulting from material possessions, and secondly, and by a transfer, the possessions themselves. Wealth then consists in the relative-weal-constituting elements in man's material environment. It is objective to the user, material, useful and appropriable.

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 immaterial wealth without defining it.

Newcomb—That for the enjoyment of which people pay money. The skill, business ability and knowledge, which enable 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, are to be considered wealth when we use the term in its most extended sense.

Bain—A commodity is material worked up after a design to answer to a definite demand or need, and wealth is simply the sum-total of commodities.

Ruskin—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 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 Ruskin 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."

[illegible] 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 volumes on the same subject by Bohm-Bawerk, which also has been translated into English, and is much quoted by that now dominant school of scholastic political economy 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 to either quote or condense. There are many who without saying so evidently hold the opinion thus frankly expressed by Professor Perry in his "Elements 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 the whole subject. From its indefiniteness and the variety of associations it carries along with it in different minds, it is utterly unfit for any scientific purpose whatever. It is itself almost impossible to be defined, and consequently can serve no useful purpose as 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 satisfactorily constructed. * * * Men may think and talk and write and dispute till doomsday, but until they come to use words with definiteness, and mean the same thing by the same word, they reach comparatively few results and make but little progress. And it is just at this point that we reach the first grand reason of the slow advance hitherto made by this science. It undertook to use a word for scientific 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 representative 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 "Principles 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 indirectly. All wealth therefore consts of goods; but not all kinds of goods are reckoned as wealth.
>
> 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-persal-non-transferable goods and internal-personal-non-transferable goods; or else into material-external-transferable goods, material-external-non-transferable goods, personal-external-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 Wagner's Volkswirthschaftslehre, to which the reader is referred at the conclusion of the chapter as throwing "much light upon the connection between the economic concept of wealth and the juridicial 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 saying 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 statement, 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 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 references, 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 wades 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 (pp. 404), that "land is in general the most important item in the inventory of national wealth"—a proposition which logically is as untrue as that we ought to reckon the Thames a part of England's wealth.

Another Science Taught Instead of Political Economy.

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 procured and distributed? 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? finds at their hands no certain answer. Even to such questions as, "Is wealth material or immaterial?" 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 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 expressing that idea. We are justified, therefore, in supposing, and as a matter of fact do generally suppose when we first hear of them, that the works now written by the professors of political economy in our universities and colleges, 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 qualities. 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 of 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 leading 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 "catallactics," 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 Macleod, (Sec. 11, Chap. VII., Vol. I., "Science of Economics."):

> We do not propose to make any change at all in the name of the science. Both the terms, "Political Economy" and "Economic Science," 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 defines its nature and extent and is most analogous to the names of other sciences. We shall, therefore, henceforth discontinue 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 this 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 exchangeable quantities are such laws as 2+2=4; 4—1=3; 2×4=8; 4÷2=2, and their extensions.

The proper place for such laws in any honest classification 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" a short word for "politico-economic" to pass off their "science 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 economy come.

Professor Perry, writing thirty years ago, thought that by emancipating itself from the word wealth as a technical 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 of Confusion as to the Meaning of 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 mould common opinion—Of injustice and absurdity, and the power of special interests to pervert reason—Mill an example of how accepted opinions 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 only be ended by abolishing that interest—This shown in American slavery.

The neglect of political economy in the classical world has been explained by modern economists as due to the effect of slavery in causing labor to be regarded as degrading.*

But in this a quicker and more direct effect of slavery in preventing the cultivation of political economy has been overlooked.

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, entrenched 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? This, in a state of society in which the ruling class were universally slave-holders, 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 measured by money," or with the Roman jurist Ulpian, "that is wealth which can be bought and sold." From this point, the very point to which our modern political economy has in current scholastic teachings now come again, though there may be economics of finance and economics of exchange and economics of agriculture (there were many such among the Greeks and Romans, their agricultural 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 between what may be wealth to the individual and what is wealth to the society, which, 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 prevented the growth of any science of political economy, 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 develop a political economy and their acceptance of slavery have in their own development of political economy been unconsciously affected by a similar retarding and aberrating 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 very poor, the primary question of political economy, what is wealth? 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 robbery than to call it by its true name.

In the preliminary remarks to his "Principles of Political 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 one feel confident that he should have escaped the delusion if he had lived at the time when it prevailed.
>
> Let no one be confident indeed!
>
> Yet it is a mistake to liken the absurdities of the mercantile or protective system to the crude fancies of childhood. This has never been their origin or their strength. In the petty commerce in marbles and tops that goes on among schoolboys 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 anything 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.
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> The power of a special interest, though inimical to the general interest, to so 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 individually wealthy without adding to the general wealth may exert an influence out of all proportion to their numbers. A special interest of this kind is, to the general interests 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 mould opinion. Leisure and culture and the circumstances and conditions that command respect accompany 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 opportunities, education and graces necessary to give their thought acceptable expression. They are necessarily the "unlettered," the "ignorant," the "vulgar," prone in their consciousness of weakness to look up for leadership and guidance to those who have the advantages that the possession of wealth can give.

Injustice and Absurdity Different Aspects of Same Thing.

Now, if we consider it, injustice and absurdity are simply 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 centres 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 perceived 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 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 absurdities enshrining themselves in the human mind as unquestionable truths—whole nations the prey of preposterous superstitions, abasing themselves before fellow creatures, often before idiots or voluptuaries, whom their imagination has converted into the representatives of Deity; the great masses toiling, suffering, starving, that those they bear on their

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*A curious, if not comical, instance of the loose way in which professed 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 afterward reprinted as an appendix to the American edition of my "Social Problems."

†"Progress and Poverty," although it has already exerted a wider influence than any economic work ever 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 has fallen, takes in the last edition of the Encyclopedia 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 Kells Ingram, LL. D., Macmillan & Co., 1888.)

‡"Progress and Poverty," Book I., Chapter II., "The Meaning of the Terms."

*The attempts by titular professors of political economy to find mathematical expression for what they call "economics" must be familiar to those who have toiled through recent scholastic literature.

*See, for instance, McCulloch's "Principles of Political Economy," (1825), Part I.

†"Syllabus of an estimate of the merits of the Doctrines of Jesus."—The Writings of Thomas Jefferson, collected and edited by Paul Leicester Ford, Putnam's Sons, Vol. VIII., p. 227.

mally 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 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 altogether under the one word, wealth, speaking of the sum of value which an individual may have at his command as his wealth, or sometimes as his money. This metaphorical use of words is so imbedded in common speech that it would be hopeless to object to it in common speech.

So far indeed as such use of the word wealth is confined 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 ignorance, 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 enormous strength to what Adam Smith called the mercantile system of political economy, or what is now called the protective system, a system which has for centuries moulded 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 mould them. 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.

Difference Between Wealth and Wealth'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 confusion 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 the similar 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 economic 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 wherever common speech tends into the province of political economy, as it continually does, that we should distinguish between true wealth and metaphorical or representative 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 possessing 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 production that adds to wealth, and the other 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 ploughing 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 connotations if not limitations which make its meaning too narrow to fully 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 he makes to buy wild animals, jokingly speaks of "shopping 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 di capella as "a good."

In its most general use "good" is an adjective, expressing a quality, which can only be thought of 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 English 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," "internal goods" and "external goods," "free goods" and "economic 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 goods," "material-external-non-transferable goods," and "personal-external-transferable goods," with all their respective 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 Examples of Action and of Action Resulting in Wealth—"Riding and Tying"—Sub-Divisions of Effort Resulting in Increment of Wealth—Wealth Essentially a Stored and Transferable Service—Of Transferable 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 economy, 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 consider those actions of men which aim at material satisfactions, 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 satisfied. 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 primordeal 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 service 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 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 toward 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 desires 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. Another animal would merely eat of the fruit or drink of the spring to the full satisfaction of present desire. 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 satisfaction of 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 indirectly 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 of human labor as to better fit them for the satisfaction of human desires.

The essential character of wealth is that of the embodiment 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 toward 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 toward 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; then to harvest it; then to grind it into flour; 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 toward the final result may be utilized in the remaining stages of the process. Grain is an article of wealth expressing the effort necessary in growing and harvesting, in such form that it may be from thence carried forward to the satisfaction of desire, either by feeding it to domestic 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 satisfaction to desire of which bread is capable.

The idea of wealth cannot be reduced to that of satisfaction, 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 efforts, 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 possibility of distinction in person between the exertor of 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 resulting 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 exertion 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 battery. 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 song, and the possibilities of such exchange may be somewhat 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 receive 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, are much facilitated. I desire for instance, such service from another as the carrying of a bag or message or the conveyance 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 intervention of wealth the satisfaction of desire on both sides becomes 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 become 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 other 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 which they make. But 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 naturally 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 impressed 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 triangular 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 CALLED 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 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 consumption to the satisfaction of desire. Much of it is devoted 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 tangible 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 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 chapter 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 convenient 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, and the third portion he will plant in order that in the future he may more readily and more abundantly 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.

All Capital Is Wealth, but Not All Wealth Is Capital.

By the storage of labor, which is involved in the production 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 satisfaction 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 offence 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 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 possessors advantages akin to the advantages given by capital, yet to transfer this metaphorical use of speech to economic reasoning is, as many ponderous treatises will testify, provocative of fundamental confusion.

And so, while the possession of slaves, of special privileges, of public debts, of mortgages, or promissory notes, or other things of a kind that 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 can constitute no part of real capital. All the public debts of the world do not add in the slightest degree to the capital 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 railroads, etc., is in reality nothing but the inflation of expectation. 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 obtained 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 lands 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 possession 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 it is really recognized in ordinary speech if we pay attention to the core, or original meaning of the words. As I say in "Progress and Poverty," when speaking of capital, (Chapter II., Book I., "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 carriages of a hackman would be classed as capital; but an equipage kept for the pleasure of its owner would not be. So, no one would thing 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 has 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 restaurateur 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 capital; 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 lot 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 man's stock which he expects to yield him a revenue is called his capital." And, omiting his unfortunate slip as to personal qualities, and qualifying somewhat 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 character, capabilities, or final destination of the things themselves, as has been vainly attempted to draw it, but it seems to me that we shall 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 transforming 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 theatre, 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, theatre 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 understanding 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 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," "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 possession 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 XVIII.

Why Political Economy Considers Only Wealth.

SHOWING THAT POLITICAL ECONOMY, AS PROPERLY STATED, COVERS ALL THE RELATIONS OF MEN IN SOCIETY INTO WHICH IT IS NECESSARY TO INQUIRE.

Political economy does not include all the exertions for the satisfaction 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 nature of wealth and the laws of its production and distribution." The object noun 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 toward the satisfaction of desire, remains 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 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? Is not the proper object of the science the production and distribution of human satisfactions, and would not this definition, while including wealth, as material satisfactions through material service, also include services that do not take concrete form?

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 satisfactions.

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 does not pay his barber in recitations, or the singer pay his physician in tones, nor yet reversely do 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 exceptional 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 relation 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, 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 ourselves above the level of the mere animal, from which we stand, while no one can increase his own wealth in the common sense by increasing value from production, without 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 contemptuously, if not repugnantly, and that political economy, which is the science of the nature, production and exchange of wealth, should be so widely regarded as a selfish and hard science?

If we go into this question at all we must go deeper than has yet, I think, been done.

Where Is the Division Between Rich and Poor?

There is a distinction on which our 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 according 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 possession 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 comfortably 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 to truly 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? It seems to me that there must be. And if we stop to think of it, we may see that there is.

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 desires 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 Confucius 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 monstrous 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 correlatives of each other; the existence of a class of rich involving 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. To his philosophy it was better even to be robbed than to rob. In the kingdom of right doing which he preached rich and poor 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 of Wealth.

SHOWING THAT VALUES FROM OBLIGATION SEEM REALLY TO LAST LONGER THAN VALUES FROM 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 Horace's Odes—The Two Values Now Existing—Franchises and Land Values Last Longer Than Gold and Gems—Destruction in Social Advance—Conclusions from All This.

In making the distinction between values from production that really constitute wealth in political economy, and values from obligation, which are really not wealth at all, and may at best be classified as "relative wealth" in contradistinction to "real wealth," there is an important 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, consists of material things. They 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, produced for a purposed consumption that involves immediate destruction. And since I think we may properly speak in a different sense of the consumption of a book by reading it, or of a picture or statue by looking at it, even that part 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, 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 represent 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 the powerful prime minister of Augustus Caesar have failed to perpetuate his memory; but far further than his world extended, the name of Mecaenas yet lives for us in the odes of Horace.

Now, in the same way, the values which cannot be included 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 obligations 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; while many values of similar nature we treat as perpetual, as in 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.

Value Attaches to Ownership of Land.

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 by English kings long dust to their favorites and lemens. So do advowsons, rights of fishery and market, and other special privileges. While such franchises 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 unimpaired, but in many cases enormously increased.

Of all articles of value from possession 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 centuries 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 guaranteed 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 production, to steadily reduce the value of the great body of articles of wealth already in existence, and having value from production. In some cases indeed the effect of social advance is to suddenly and utterly 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 improvements, 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 centres of social life.

It will be seen from our analysis, as indeed from observation, 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. 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 of Money to Wealth.

SHOWING THAT SOME MONEY 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 complicated and confused by current discussions, especially in the United States, as to require for its complete elucidation a fulness 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?"

To this no categorical answer can be given, for the reason that what we properly call money is in all countries in our 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 their 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.

END OF BOOK II.

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*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.

*There is of course on my part both a desire and a satisfaction—a desire that her desire 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.

*Money may be said to be in the hands of the consumer when devoted to the procurement of gratification, as, though not in itself devoted 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.

the same errors. Truth is, in fact, a
tion of things, which is to be
independently because it exists inde-
iently. Error is perhaps more likely to
pate transmission from mind to mind,
even that usually gains its strength
permanence from misapprehensions
in themselves have independent plau-
lity. Such relations of the stars as
t appearance in the north which we
the Dipper or Great Bear, or as that
he south which we call the Southern
ss, are seen by all who scan the starry
vens, though the names by which men
w them are various. And to think that
sun revolves around the earth is an
or into which the testimony of their
ses must cause all men independently
fall, until the first testimony of the
ses is corrected by reason applied to
ler observations.

As in the Footsteps of Quesnay.

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 assing teamster to a commonplace question, crystallized, as by lightning flash, my rooding thoughts into coherency, and I iere and then recognized the natural order one of those experiences that make those rho have had them feel thereafter that hey can vaguely appreciate what mystics nd 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.

Afterward, 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" a hundred years before had proposed.

I forget many things, but 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 the 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 thousands 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 intercourse 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 conditions, 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 perhaps by reaction. But no matter how much of his economic 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 what the Physiocrats meant by wealth, or as they sometimes 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 whenever 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:

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, however, with seeming inadvertence, has fallen in places into the inconsistency of classing personal qualities and obligations 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 the idea of freeing all production from tax or restraint to the point of a practical proposition, and where they had fallen into obvious error. He neither proposed the single tax nor did he fall into the mistake of declaring agriculture the only productive occupation. 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 the Fourth Book 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 revenue 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, regarded agriculture as at least the most productive of occupations 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 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 could 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 possessing classes would deem dangerous. But in nothing he left after him (just before his death he destroyed all manuscripts 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 produce 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 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.

Conditions Under Which Adam Smith Wrote.

In that part of the eighteenth century when the Physiocrats 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 condition of France and that of 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," 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 amiable 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 around man" that he was, possessed 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 intelligently read the "Wealth of Nations" will find it full of 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, travelling 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 Cyclopaedia, 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 OF THE SUBSEQUENT DEVELOPMENT OF POLITICAL ECONOMY.

Smith, a philosopher, who addressed the cultured, and whose attack on mercantilism rather found favor with the principal land-owners—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 reveals the true beneficiaries of protection, but passes 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 example—Cairnes doubts the effect of making it a scholastic study—His sagacity proved by the subsequent breakdown of Smith's Economy—The true reason.

Adam Smith was not a propagandist or a politician, as were the Physiocrats. He was simply a philosopher, addressing primarily a small, comfortable and cultured 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 Poverty" were printed in an author's edition in San Francisco, a large land-owner (the late General Beale, proprietor of the Tejon Ranch, and afterward 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 freedom 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" could first reach, were able to enjoy its greatness as an intellectual 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 absolute monarchy of France. It was only a few years before the publication of the "Wealth of Nations" that the landlord'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 workmen in coal pits and salt works were still virtually slaves, being formally denied the right of habeas corpus.

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 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 rules 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 "superiority of 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 entirely 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 edition 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 revolutionary tendency; and some who had formally 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.

And William Playfair, in his annotated edition of the "Wealth of Nations" (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 ignorance, since it was shared at the same time by "a monarch of such eminent abilities and penetration" as the great Frederick of Prussia, Playfair thinks may be well pardoned 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 permanent a recognition for the new science that its continuance to our time is properly traced to him as its founder rather than to them.

Smith, Then Malthus, Then Ricardo.

In 1798, four 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," lamenting with his last breath that he had done so little, was laid to rest in the Edinburgh Cannongate, the English clergyman Malthus brought forward his famous theory of population. This at once, like "a long felt want," took its place in the crystalizing 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 institutions which soon began to make its teaching a function of their official faculties. A few years after Malthus came Ricardo, to correct mistakes into which Smith had 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 increasing population forced cultivation to less and less productive 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 recompense or wages of labor," to consider the master as providing from his capital the wages of his workmen, together with the theory of the tendency of the 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 agriculture," became cardinal doctrine. These linking with and buttressing each other, in what soon became the accepted 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 distribution 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-originating, 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 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 thoughtful and cultured, it did not meet the resistance it would have encountered had the special interests which it threatened 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 manufacturers prevented the powerful landed interest from perceiving fully its relation to their own monopoly until it had gained the weight of recognized philosophic authority.

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 defence of this system was seen to lie. The repeal of the Corn laws was carried against the strenuous resistance of the land owners by a combination of merchants and manufacturers with the working classes, urged by bitter discontent and growing aspirations. But 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 land owners 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 beneficiaries 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 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 practical to carry free trade. And in scholastic circles in that country 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 economists.

Thus strengthened by this powerful impulse, there continued 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 Natons." 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 subterm of wealth capital, made them much more indefinite and confused than they had been left by Adam Smith. And it was never attempted to bring together what was 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 expounders 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 Political 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 political 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;" 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 understand," and that, "such is the indifference of the public 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 established. Hereafter this science will be taught in them, with all the advantages of a regular and systematic study. Whilst the University 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 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; 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 Nicholas 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 1825:

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 of controversy is passing away, and that of unanimity rapidly approaching. Twenty years hence there will scarcely exist a doubt respecting any of its fundamental principles.

Effect of War Upon "Protection."

With the great defeat of protection in 1846, the confidence 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—prediction 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 tremendous 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-speaking countries at least, the triumph of Adam Smith's opposition 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 indespensable adjunct of every institution of education, the real incoherencies 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 afterward reprinted under the title of "The Character and Logical Method of Political Economy," quoted what we 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 fundamental questions are still vehemently debated, "not merely by sciolists and smatterers, who may always be 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 to have begun—controversy, I mean, not merely respecting 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.

Cairnes 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 observable 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 mathematicians, in order to attract new adherents to their ranks, had consented to abandon the method of analysis, and to rest the truth of their formulas on the correspondence of the almanacs with astronomical 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 character; 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 had been well nigh forgotten, and Political 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, uniformity; controversy has become incoherence, and what he then thought to be the science of political economy had 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, and saw the real effect of a study of political economy for the purpose of filling professorships and writing books, he did not see the real cause which so much faster and further than he could have imagined has given sober reality to his more than half-rhetorical prediction. The reason of the constantly increasing confusion of the scholastic political economy 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 attempt to develop a science of the production and distribution of wealth without first deciding what they mean by wealth cannot understand each other or even understand themselves.

*The original work was published in 1803. But this introduction bears internal evidence of having been written not earlier than 1814

CHAPTER VII.

Ineffectual Gropings Toward a Determination of Wealth.

SHOWING THE OPPOSITION TO THE SCHOLASTIC ECONOMY BEFORE "PROGRESS AND POVERTY."

Illogical character of the "Wealth of Nations"—Statements of natural 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—Divergence of the schools—Trades unionism in Socialism.

The "Wealth of Nations" won great vogue in its striking 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 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 Ricardo 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 inadequately stated. While between them, all was left at sea.

Yet such was the feeling that there ought to be a political economy, and so agreeable 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 pressure 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 point out a true political economy, if it got attention, would inevitably arouse much debate.

A Great Question in "Progress and Poverty."

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 exclusively 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.*" 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? 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 [illegible] appeal to the feelings [illegible] 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 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 delivered before the Philosophical Society of Newcastle, on November 8, 1775, a year prior to the publication of the "Wealth of Nations." For 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 whatever 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. C. 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 Right of Property in Land, with Respect to its Foundation in the Law of Nature. its Present Establishment by the Municipal Laws of Europe, and the Regulations by Which it Might be Rendered More Beneficial to the Lower Orders 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, 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 curiously 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 anything which aimed at the division of the land, and would have the country enjoy the spectacle of a noble and splendid aristocracy, of which the younger branches should be supported by places of at least £1,000 a year in the public service. And, while he would have the landlords pay all the taxes, he thought it "wholesome and befitting that they should have the political ascendency 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 Scotch 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 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 doctrine 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 results 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 standpoint 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 England. 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 perform the most menial and degrading service? 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 normal 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 be socially, politically and economically newer Englands; and, 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 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 without 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,

*Part II., Chapter II., Book V., Wealth of Nations.

would be at once 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 workingmen, 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.

Writings of Spencer and Dove.

The plan was very attractive to the more wealthy and influential class of Englishmen concerned in, or thinking of, emigrating to the new colonies, and was finally adopted by the new corporation concerned in settling West Australia, and afterward by the other Australian colonies. But even its obvious interference 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 economists, 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 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 Right 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 England, having only been noticed in the British Quarterly Review 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 France. 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 Scotch 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 knowledge, or to use his phrase, by the progress of correct credence 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 (page 94) are:

1. The Bible.
2. A correct view of the phenomena of material nature.
3. A correct philosophy of the menta' operations.

The three things which he links together as respectively cause and effect, involving the conditions of society, are (page 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 (page 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 privilege, and in the restitution of every right.

These propositions are extended to twenty-one main propositions and twelve subpropositions, 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:

* * 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 condition 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 circumstances 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 millenium, based on the classification 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 "Social Statics," published in the same year, though evidently 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 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; both declare the supremacy of a higher law than human enactments, 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 without 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 for 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 unscientific superstition, there is one respect in which the vigor and courage of Dove's thought shines superior to Spencer's. Spencer, after demonstrating the absolute invalidity 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; 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; 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 he is not more clear than Spencer in demonstrating that land owners as land owners 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 twenty million pounds 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 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 remunerating a man-robber; and although the measure is now past and done with, we very much question whether some analogous case 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. (Page 139.)

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, I 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, and, second, on Doctrine." And in 1856 appeared a third book, "The Logic of the Christian Faith," being a dissertation on scepticism, pantheism, the a priori argument, the a-posteriori 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, without his knowledge, had procured a republication of Dove's first book in Boston, being moved thereto doubtless by its vigorous words on slavery.

Who Was Then a Gentleman?

In 1859 appeared in London the "Strength of Nations," by Andrew Bissett, 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 of it, and his final execution. "The Strength of Nations," very suggestively calls attention to the fact that fuedal tenures were conditioned to 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 land holders 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 political 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's 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 luxuriously 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, runs in broken flashes through much of the reform literature. 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 some time be recognized as belonging to the community, a proposition that, though it amount 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 England 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 between 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 followed 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, protectionism was advocated.

When it came to making peace between England and the United States after the war of independence, the 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 Articles 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 philosophy, 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 support of a powerful party in which the ideas of Jefferson were opposed by those of Hamilton, 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 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, inductive, the socialistic and other protectionist schools which drew 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 the improvement in the conditions of labor. Recognizing the workers as a class naturally separate from employers, it aimed to unite the labor 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 Carl 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 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.

Socialism Is Not a Science.

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," 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 something purely conventional or political, a scheme or proposal, not a science. For science, as previously explained, is concerned with natural laws, not with the proposal of man, with relations which always have 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 directors themselves. It is a proposal to bring back mankind to the socialism of Peru, but without any reliance on a 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 extent 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 combination could be called a science, and how it should get a following, can only be accounted for 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 trades union notions it has made great headway in Germany, 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 which, making any pretensions to a science, received from a newer and freer England what has proved a fatal blow.

CHAPTER VIII.

Breakdown of Scholastic Political Economy.

SHOWING THE REASON, THE RECEPTION, AND EFFECT ON POLITICAL 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 Tribune, 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 Library, looked over John Stuart Mill's Political Economy, 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 property, 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 (U. S. Senator John P. Jones), whose note we had taken at his own request, 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 sinecure, 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 intervals of reading and study, I brought out "Progress and Poverty" in an author's edition, in August, 1879.

In this book I took the same question that had perplexed me. Stating this world-wide problem in an introductory 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 follow and overtake any increase in capital. Examining this doctrine in Book I., consisting of five chapters, and 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 was 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 inadequacy of all remedies for industrial distress short of a measure for giving the country the benefit of the increase of rent. In Book VII. (five chapters) I examined the justice; 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 distribution, 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 conclusion, one chapter, "The Problem of Individual Life," is devoted to the problem that arises in the heart of the individual.

This work was the most thorough and exhaustive examination 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 make the plates. I sold this autor's edition in San Francisco at a good price, which almost paid for the plates, and sent copies to publishers in New York and London, offering 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 there. 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 continents it has given birth to movements whose practical success is only a question of time. Yet though the scholastic 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 consituted property, and no attempt to make the laws of production or distribution correlate 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 reconstruction of the science, that began to make its way and command attention. What was their training and laborious study worth if it could be thus ignored, and by 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? 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 rejected 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.

That Significant Change in the Encyclopedia.

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 retained. 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 only be successfully continued 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 converted them and their science into opponents of the tremendous 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 revolutionary 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 accomplished at one stroke; 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 political 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 indorsement of the colleges was competent to speak, and only a man of great reading and learning could express an opinion.

The first evidence of the change was given in the Encyclopaedia Britannica, which in Vol. IX., 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 polical economy by Professor J. H. 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 historical phase.

Adam Smith is put down as leading in the third modern school the system of natural liberty. Among the predecessors of Smith are recorded the French Physiocrats, whose proposition for a single tax on the value of land is related to their doctrine of the productiveness of agriculture and the stirility 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 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 France, 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 elaborate four-volume Dictionary of Political Economy, edited by R. H. Inglis Palgrave.

This action was enough. The encyclopaedias and dictionaries 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 1886, discarded what they had previously 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 authority of American scholastic protectionism, it may be said that it soon after relegated to a back seat its Professor of Political Economy, Professor William 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 resources into the teaching of protection by the Anglicised 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;" 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 only be decided 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 economy," 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 professors of the science has convinced me that this change has been general among all the colleges, both of England and the United States. So general is this scholastic utterance that it may now be said that the science of Political Economy, as founded by Adam Smith and taught authoritatively in 1880, has now been utterly abandoned, its teaching 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; the ponderous works of Eugen V. Bohm-Bawerk, Professor of Political Economy, first in Innsbruck and then at Vienna, "Capital and Interest" 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 German works written by men he never heard of and whose names he cannot even pronounce.

This pseudo-science gets its name from a foreign language, 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 these 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 professors have written, and the volumes for mutual admiration 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 piecing 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 OF 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 successors 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 subterm 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.

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 arrangement 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.

CHAPTER X.

Value in Use and Value in Exchange.

SHOWING THE TWO SENSES OF VALUE; HOW THE DISTINCTION HAS BEEN IGNORED, AND ITS REAL VALIDITY; AND THE REASON FOR CONFINING THE ECONOMIC TERM TO ONE SENSE.

Importance of the Term Value—Origin and 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 the Confusion—Capability of Use No Usefulness—Smith's Distinction 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 fogland 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 utterly distort conclusions as to matters of the utmost classical moment.

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 stethescope in the diagnosis of disease, the value of the antiseptic treatment in surgery; or when, having in mind the merits of the mental production, 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; or of the lessening in the value of steel by the Bessemer process, or in that of aluminium by the improvement in extraction now going on.

Senses in Which the Word Value Is Used.

The first sense of the word value, which is that of usefulness, the quality that a thing may have of ministering directly to human needs, was distinguished by Adam Smith as "value in use."

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, (Chapter IV., Book I.):

> 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 that 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 expressing 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, this has not been the case with the distinction itself. From 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 distinctions into a science that knows nothing of moral distinctions. This view has been generally, so far indeed as I know, universally, accepted by political economists.*

Thus, John Stuart Mill (whom I take as the best exponent 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

*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 use myself. The word "utility" correctly expresses the idea of what gives value in use—the quality of usefulness. And the word "desirability" is sometimes used by economists to express the contrasted idea, of what gives value in exchange, the quality of being desired, though not necessarily satisfying a need or useful purpose. Such use seems convenient, and has some sanction in economic writing, and I see that I have fallen into it in Chapter V., of my "A Perplexed 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 valuable or

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, (Political Economy, page 537):

> 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 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 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, "teleologic" 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.

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 economy, 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 ("extreme 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, exchangeability or purchasing power. What, then, becomes of Mill's other statement in the same paragraph? 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? If the two values are identical and value in use is the highest limit of value in exchange, is it not necessarily the lowest limit? If diamonds derive their exchange value from their capacity to satisfy a desire or serve a purpose, do not beans? If value in exchange means merely value in use, why does Mr. Mill distinguish between the two senses of the word value, that of usefulness, and that of purchasing power? Why does he tell us that the word value, when used without adjunct, always means in political economy value in exchange? 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 immediately after Adam Smith, and was well rooted in the current 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 beginning 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 distinction 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 question 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

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not valuable, as they are hard or easy to get."

Yet in reality such use of the word is not correct. There is a difficulty in using the word "desirability" in distinction to "utility." "Utility" means the capability of being used, and by analogy "desirability" 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" 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 desired, and what we really want is not a word which expresses the capability of being desired, but the fact of being desired. "Desirability" in its well established use, however, does not mean the capability 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 undesirable desire. The reason why there is no word in the English language 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.

acceptance of what much inferior thinkers to Adam Smith had deemed a correction of the great Scotsman. The gist of his argument is that the capability of "a use," in the sense of satisfying 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 your're bending?

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 charging 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 schoolboy, 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 monstrous structures into which the hair of fashionable European ladies was built in the last century; the hooped skirts worn during a part of this; the pitiful distortion practised on the feet of the upper class female infants by the Chinese, are all uses. But do they therefore imply usefulness?

Again, the thumbscrews brought from Russia by Drummond and Dalziel, when they were sent to Scotland by Charles II. to force Episcopacy upon 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 converting 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 they would be purchased for museums, and I do not see how they could at that time have been refused, or if in existence, could now be refused, a place in any category of articles of wealth. But were they useful articles? No one would now say so. There were, it is true, at that time some people who might have contended for their usefulness. But consider the supposition under which alone this claim for their usefulness could have been made, for it points to an essential distinction between the meaning of usefulness and that of mere capacity for use. The thumbscrews and racks could only have been considered as useful on the assumption that the eternal salvation of men, their exemption from endless torture, depended on their acceptance of certain theological beliefs, and therefore that the rooting out of schism and heresy, even by the use of temporal torture, was conducive to the true welfare and final happiness of the generality of mankind.

To consider this is to see that what is really the essential idea of usefulness, of that quality of a thing which Adam Smith distinguished as utility or value in use, is, not the capability of any use, but the capability of use in the satisfaction of the natural, normal and general desires of men.

And in this Adam Smith, following the Physocrats, recognized a distinction that he did not create, and that no confusions of current economic teachings can eradicate; a distinction that does not come from the refinements of philosophers or moralists, but that rests on common perceptions of the human mind—the distinction, namely, between things which in themselves or in their uses conduces to well-being and happiness and the things which in themselves or in their uses involve fruitless effort or ultimate injury and pain. The capacity of satisfying some desire, no matter how idle, vicious or cruel, is indeed all that is necessary to exchangeability or value in exchange. But to give usefulness or value in use something more is necessary, and that is the capacity to satisfy, not any possible desire, but those desires which we call needs or wants, and which, lying lower in the order of desires (as explained in Chapter XI., book I.), are felt by all men.

Value in use and value in exchange may and often do attach to the same things, and, as a matter of fact, doubtless the great majority of things having value in exchange have also value in use. But this connection is not necessary, and the two qualities have no relation whatever to each other. A thing may have use value in the highest degree, yet very little exchange value or none at all. A thing may have exchange value in very high degree and little or no use value. Air has the highest value in use, as without air we could not live a minute. But this supreme utility does not give air exchange value. The Bambino of Rome or the Holy Coat of Treves could probably be exchanged, as similar venerated objects have been at times exchanged, for enormous sums; but the use value of the one is that of a wax doll baby, that of the other an old rag. The two qualities of value in use and value in exchange are as essentially different and unreliable as are weight and color, though as we sometimes speak of heavy browns and light blues, so do we in common speech use the word value now to express one of these qualities and now the other. The quality of value in use is an intrinsic or inherent quality attaching to the thing itself and giving to it fitness to satisfy man's needs. It cannot have value in use except it has that, and as it has that, no matter what be its value in exchange. And its use value is the same whether much can be obtained for it in exchange or "no one would pick it up." The quality of value in exchange, on the other hand, is not intrinsic or inherent.*

Nor is there any common measure in the human desire 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.

Distinction Between Use and Value in Exchange.

A daring fellow recently crossed from the coast of Norway to the United States in a sixteen-foot boat. Supposing him to come to New York, and one of our hundred-fold 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 you choose to take from New York, regardless of its cost," what would he fill it up with? That could not be answered in a word, as it would entirely depend upon where the millionaire wanted him to go. If he was merely to cross the 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 was 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 to successfully make such a trip, it may be well doubted whether he would not prefer to carry its weight in fresh water than to take a single diamond or gold piece and to 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 the 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 terminology. 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 anything 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 supplied, or the indication is not sufficently 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?"

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?" or "What for?"

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. 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 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 confuson, 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, substituting 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 or Exchange Value.

SHOWING HOW VALUE IN EXCHANGE HAS BEEN DEEMED A RELATION OF PROPORTION; AND THE AMBIGUITY WHICH HAS LED TO THIS.

The Conception of Value as a Relation of Proportion—It Is Really a Relation to Exertion—Adam Smith's Perception of This—His Reasons 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? And by what may we measure it?

As to 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 valuable thing may gain in exchange power, some other valuable thing or things must lose; and what one loses some 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. All prices, for instance, may increase or 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 contradiction 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 relatively, by comparing one value with another; that it leaves the idea of value swimming, as it were, in vacancy, without 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.

Human Exertion Is the Natural Measure of All Value.

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 instance are comprehended and intelligibly expressed as relations to certain measures of extension, such as the barleycorn, the foot, the metre, diametres of the earth, or diametres of the earth's orbit; direction, as a relation to the radii of a sphere, which, proceeding from a central point, would include all possible directions; color, as a relation to the order in which certain impressions are received 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 from 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 source and natural measure of all value—namely, human exertion, with its attendant irksomeness or weariness.

Adam Smith saw this, though he may not have consistently held to it, as was the case with some other things he clearly saw for a moment, as through a rift in clouds which afterward 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 necessities, 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 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 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 own body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labor, which we exchange 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 word was originally purchased, 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 fortune 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 he evidently means the products of tangible results of human exertion. What he says is that value is the equivalent of the toil and trouble of exertion, and that its measure 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 ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. 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 instance, as "value in toil," or "value in exertion," or "value in labor," but instead of any of them chose a phrase, "value in exchange," which refers directly only to a secondary and derivative meaning?

The reasons he himself gives, in what immediately follows the first two paragraphs I have quoted:

> But 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 an hour's hard work than in two hours' easy 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 ingenuity. In exchanging, indeed, the different productions of different sorts of labor for one another, some allowance is commonly made for both. It 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 carrying 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 intelligible, is not altogether so natural and obvious.

There are here two reasons assigned for the choice of the term "value in exchange," to denote what Smith saw with perfect, though only monetary clearness, to really 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 philosopher's own mind—the swiftness with which the clouds drifted over the star he had just seen—is that he could 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 and not quality—that is to say, duration, not intensity. He failed to recognize the obvious fact that if the toil and trouble of exertion dispensed with be the measure of value, then, 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 measures mass, should, independently 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 objectively 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 only be determined 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 rechristened 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 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, evidently 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, knowledge, 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 to almost immediately 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 values, 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 nature 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 facts not understood, 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 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 ponderous elaborations of confusion, for the good and sufficient reason that the essences or foundation of what we call value 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 economic issues are involved in this settlement of the meaning of a term.

*"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 meant "cost," and sometimes where he means "value." This use of price and value he once in a while indicates, as where, in Chapter VI., he speaks of "price or echangeable value," but in general he leaves it to inference. Where it is necessary for him to mak 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 price" value in labor, and by "nominal price" value in money.

*There is, to be sure, a special sense in which, conformably 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 inherent or intrinsic value can not exist. The cases in which we do this are cases in which we wish to distinguish between 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 lose exchange value if beaten into ingots; 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.

CHAPTER XII.

Value in Exchange Really Related to Labor.

SHOWING THAT VALUE DOES NOT COME FROM EXCHANGEABILITY, BUT EXCHANGEABILITY FROM VALUE, WHICH IS AN EXPRESSION OF THE SAVING OF 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"—Exertion Positive and Exertion Negative. Restatement 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 Impossible—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 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? What is the fundamental idea of proportion or ratio? Is it not that of the relation of the parts of a whole to that whole? 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 $\frac{1}{8}+\frac{1}{8}=\frac{1}{4}$; or $.153+.147=.3$; or $4: 8:: 6: 12$; or $5\%+4\%=9\%$, depend for their validity upon the relations of the proportions 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? How shall we express this totality? Or by what calculus shall we fix the relations of its parts, the numberless and constantly changing articles 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 elaborate 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 exchangeability only the more clearly show its utter inadequacy. Thus the latest and most elaborate of these attempts, that of the Austrian or phychological school, which has been of recent years so generally accepted in the universities and colleges of the United States and England, and which derive 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 production 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 gravitation 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 of a universe; a fact or a fancy; what comes into consciousness through our senses and what constitutes the peopling and furniture of our 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 keep in mind, and to use such phrases as "all things" or "any thing" 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 selected 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 implied, "and other valuable things." Thus, for instance, we think of money, or as the most widely known representative of money a piece of gold, and say to ourselves, "Here is a piece of gold. Why is it valuable? 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 valuable 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 exchangeability 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 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 exchangeability, and that that is the beginning and end of it.

Process of Reasoning in a Circle.

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 realization 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 those possessed of no valuable things (i. 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 economists 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 to practically assume, what was indeed the common assumption, that it was of the same origin as the value attaching to such things as gold, wheat, hardware, 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 Fall, 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 or 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? Could they be 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 caulked, 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 impossible, 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 probability would be much more.

Now the way thus illustrated is the way in which the value that attaches to the greater number of valuable 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 it is *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 consist of what we call the working class, who live almost literally from hand to mouth, and who have in their possession 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? Does it not come from the conversion of their labor power, through exertion, into value? Is not the exchange which is constantly going on, the exchange of the potentiality of labor, or raw labor power for labor power that by that transfer has already been converted into value? In common phrase, they exchange their labor for commodities.

How does this fact—the fact that the great body of valuable 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 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?

The truth is that current theories of value have resulted from the efforts of intelligent men to mould into a semblance of coherency teachings built upon fundamental incoherencies. Let me point out what gives them plausibility, the fallacy involved in the inclusion of labor as an "other valuable thing," while the real stress of the examination 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."

The Exact Definition of the Word Labor.

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 art 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 laboring, that is to say, wealth or services. And sometimes, again, we mean the persons who do labor or the persons who have the power and 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 unexchangeable.

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 where that power takes tangible form through exertion, the fundamental relation of value must be a relation to exertion.

But a relation to exertion in what sense? A relation to exertion positively, or a relation to exertion negatively?

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 exchange gets rid of silver and acquires gold. But when I exchange gold for exertion or toil, do I get rid of gold and acquire toil, and does he get rid of toil and acquire gold? Clearly not. No one wants exertion or toil; 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 exertion given or imposed, but exertion avoided or saved; or, 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 equivalent to the saving of exertion or toil, and the value of anything is the amount of toil which the possession of that thing will save the possessor, or enable him, to use Adam Smith's phrase, "to impose upon other people," through exchange. Thus, it is not exchangeability that gives value; but value that gives exchangeability. For since it is only by exertion that human desires can be satisfied (those cravings or impulses 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 contention is that the truth is just the reverse of this, and it is when and because a thing becomes valuable that it becomes exchangeable.

It is not the toil and trouble which a thing *has* cost 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 thing, 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 instance, by years 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 whatever to do with its value. That depends upon the amount of toil and trouble that others will undergo

for my benefit in exchange for it; or, what amounts to the same thing, which they will 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 possess 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 economists 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 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 moveable searchlight, 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 satisfaction, 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 exertion. 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 desire without calling for exertion is for that reason desired of itself, not for its own uses, but because it affords the means af gratifying other desires, and this becomes exchangeable whenever the existence of others than its owner makes exchange possible. Normally, at least, value and exchangeability are thus always associated and seemingly 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. Exchange 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 dependent 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 only replace 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 carrying 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 of value distinct from and independent of their usefulness, a relation based on the greater or less degree of exertion necessary to obtain, that their possession would enable him to avoid in the gratification of his desires, or, to speak precisely, to replace them.

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 ownership 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 production, 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 of 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 a thing can otherwise 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 particular exchange takes place may considerably vary. But that our idea of value assumes a normal point, and what this point really is, may be seen in common change 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 real or true value, differing from the assumption of value in the particular 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 considerable 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 exchanged 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 meeting 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 subject 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; 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 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 equivalence 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 or 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 toward 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 feeling so long as it remains merely a feeling can only be known to and can only be measured by him who feels it. 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 proposed 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?" Now, what value determines is not how much a thing is desired, but how much is any one 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.

On the Proposition 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 exchange for it. Nevertheless, we properly speak of the value of certain things as being determined by the cost of production. 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, 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 similar thing can in any other way be obtained.

Thus the point of equation between desire and satisfaction, 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 production 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; 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 off 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 only by 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 does not affect its economic or exchange value, except perhaps as it might make us 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 possession 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 principal have but small practical application, though they are continually 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 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 to far exceed the disposition and power of mankind 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 is 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 particular 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.

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 natural 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 monopolized and the resort of population to unmonopolized land is shut out either by legal restrictions or social conditions, 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 willingness 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 obligation to render service rather than in that of an exchange of service.

CHAPTER XIV.

The Two Sources of Value.

SHOWING THAT THERE IS A VALUE FROM PRODUCTION, AND ALSO A VALUE FROM 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 commanding 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 meaning of value in exchange—Real relation with exertion—Ultimate exchangeability is for labor—Adam Smith right—Light thrown by this theory of value.

We now come to a point of much importance. For it 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 of 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 in future time 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 some time perhaps produced without the production of real wealth; 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 representatives 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 redeemed, 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 obligations and dependent entirely upon expectations, but still a value—an exchangeable quantity, the possession of which could command 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 whipping or killing them if they refused. The discoverers might thus have carried off, as the Spanish conquisidores 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 exertion from others makes no difference to him or to them. In either case he gets and they give.

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 constitutes an 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 recognizing as value that which added to wealth, but he afterward 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 consorted with the common idea that the wealth of a community is the sum of the wealth of individuals, and enabled all that has value to the individual to be included as political economic wealth. It consorted as well 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-economic 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 distinguish 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 of two kinds.

By a clear distinction the various ways in which value may originate embraces (1) The value which comes from the exertion of labor in such a way as to save future exertion in obtaining the satisfaction of desire. And, (2) the value which comes from the acquisition of power on the part of some men to command or compel exertion on the part of others, or, which is the same thing, from the imposition of obstacles to the satisfaction of desire that render more exertion necessary to the production of the same satisfaction.

Value arising in the first mode may be distinguished as "value from production," and value arising in the second mode may be distinguished as "value from obligation"—for the word obligation is the best word I can think of to express everything which may require the rendering of exertion without the return of exertion.

Value in the sense of exchange value, the 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 political 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 equivalence 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 exemption from toil and trouble in the attainment of desire.

The Relation of Debt to Slavery.

That "debt is slavery" 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 commodities from another, asking him to forego the receipt on his part of what I should by the terms, express 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; or it may be witnessed by other persons or writing, or by the assignment or release of specific things, as in mortgages; 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 case with which I may dispose of my obligation to another and the value I can get in return 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 recognized 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 reflection 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 choses in action or mere debts of honor or good faith unrecognized 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 are 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 perhaps 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 protective 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 land holders of feudal times was the right of holding markets, of keeping dovecotes, of succeeding in certain instances to the property of tenants, or of grinding grain, of coining money, of collecting float wood, etc. The values of these were clearly "values from obligation." But that they have passed insensibly into the single right of exacting a rent 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 already 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 decision 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 to readily 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 command 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 obligation fixed, unfixed or merely contingent to render exertion to the holder or assignee without return. Thus value may be increased sometimes even by the destruction of valuable things, as the Dutch East Indian 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 valuable in the United States than they would otherwise be, by imposing fines and penalties on bringing them into the country; or as strikes, as we have recently seen in Australia, 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 obligation," 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 improvements 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 tweedledom 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 Physiocrats 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 discoverers, instead of making merchandise of the inhabitants themselves, had done at once what the American missionaries have done gradually in the Hawaiian Islands, made themselves owners of the land of the islands; and with power to enforce their claim by punishment have forbidden any islander to pluck of a tree or drink of a spring without 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 products 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 political 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 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 exchangeable 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 exchange 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 Is Valuable Only Where Exchangeable.

Money itself derives its power of serving as a medium or flux of exchangers 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 relation of exchangeability between valuable things, which says relatively, as between one particular thing and another 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 that is easy to get; while that which may be had without exertion and that which no one will undergo exertion to get are of no value at all. Cheapness, 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 only be obtained 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 gratifications 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 expend more exertion, or undergo more toil and trouble to obtain those things, increases their value; whatever 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 question which has perplexed and still perplexes many minds—the question whether the artificial increase of values by 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 ultimate users in the satisfaction of desire there is no room for debate. Scarcity may be at times to the relative interest of the few; but abundance is always to the general interest.

XV.

THE MEANING OF 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 conclusion the same—Reason of the disposition to include all value as wealth—Metaphorical meanings—Bull and Pun—Metaphorical 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—Danger 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"—The English tongue has no single word for an article of wealth—Of "commodities"—Of "Goods"—Why there is no singular in English—The attempt to force one by dropping the S an 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 substances so secured, moved, combined or altered by human labor as to fit them for human satisfaction." 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 either of discovering 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 not only to give 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 hundred years of cultivation, the teachings of political economy 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 political 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 storing up of labor, and that originating in what I have called obligation—often power, devoid of moral right, to compel the expenditure of labor.

This 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 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 different 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 applications of labor in the production of wealth which adds to the common stock 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 of a most important element of value, does not result in increase in the common stock, or in the production 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-economic 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 the methods familiar to the students of the scholastic political 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 economy 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 distribution 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 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 their students in a fog of confusions as to the nature of the thing whose laws they profess to examine.

But to whoever wishes really to understand political economy there is now no difficulty in coming to a clear and precise determination of the nature of wealth, which ever 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 darkness, 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 purpose 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 misfortune, 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 figurative 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 recognize this difference.

Figurative Use of the Word Wealth.

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 wealth of imagery, of an orator's wealth of expression, of a woman's wealth of hair, of a student's wealth of knowledge, or of the wealth of resources of a general, a statesman 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 expressions 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 abundance 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 figurative uses spring, is inextricably blended the idea of human production. 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, however 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 synonomous 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 possession so much actual money. We only mean that he has what would exchange for so much money. Such representative use of the word money or of the terms of money does not, in everyday 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 eliminate metaphor and representation, that the kernal 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 satisfaction 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 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, mortgages, 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 opportunities, the value of which results from the acknowledgment in favor of certain persons of an exclusive legal right to their use, and the profit of their use, and which represents only the power thus given to the mere owner to demand 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 receive. 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 enslavers gained the enslaved would lose. Increase in land values does not represent increase in the common wealth, for what land owners 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 cancelled, franchises abolished or taken by the State, slaves emancipated, and land returned to the general usufructory 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 peasants 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, 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 proportion to its numbers, has most of such things is the wealthiest 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 secured, moved or combined, so as to fit them for the gratification 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 for-

* 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, sec. 7. "Wealth comprises all articles of value and nothing else."

mally 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 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 altogether under the one word, wealth, speaking of the sum of value which an individual may have at his command as his wealth, or sometimes as his money. This metaphorical use of words is so imbedded in common speech that it would be hopeless to object to it in common speech.

So far indeed as such use of the word wealth is confined 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 ignorance, 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 enormous strength to what Adam Smith called the mercantile system of political economy, or what is now called the protective system, a system which has for centuries moulded 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 mould them. 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.

Difference Between Wealth and Wealth'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 confusion 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 the similar 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 economic 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 wherever common speech tends into the province of political economy, as it continually does, that we should distinguish between true wealth and metaphorical or representative 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 possessing 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 production that adds to wealth, and the other 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 ploughing 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 connotations if not limitations which make its meaning too narrow to fully 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 he makes to buy wild animals, jokingly speaks of "shopping 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 di capella as "a good."

In its most general use "good" is an adjective, expressing a quality, which can only be thought of 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 English 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," "internal goods" and "external goods," "free goods" and "economic 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 goods," "material-external-non-transferable goods," and "personal-external-transferable goods," with all their respective 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.

*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.

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 Examples of Action and of Action Resulting in Wealth—"Riding and Tying"—Sub-Divisions of Effort Resulting in Increment of Wealth—Wealth Essentially a Stored and Transferable Service—Of Transferable 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 economy, 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 consider those actions of men which aim at material satisfactions, 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 satisfied. 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 primordeal 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 service 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 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 toward 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 desires 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. Another animal would merely eat of the fruit or drink of the spring to the full satisfaction of present desire. 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 satisfaction of 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 indirectly 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 of human labor as to better fit them for the satisfaction of human desires.

The essential character of wealth is that of the embodiment 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 toward 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 toward 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; then to harvest it; then to grind it into flour; 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 toward the final result may be utilized in the remaining stages of the process. Grain is an article of wealth expressing the effort necessary in growing and harvesting, in such form that it may be from thence carried forward to the satisfaction of desire, either by feeding it to domestic 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 satisfaction to desire of which bread is capable.

The idea of wealth cannot be reduced to that of satisfaction, 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 efforts, 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 enoying or exchanging or giving or obtaining of service, a word which involves the possibility of distinction in person between the exertor of effort and the recipient of the final satisfaction which is its aim.

*There is of course on my part both a desire and a satisfaction—a desire that her desire 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.

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 resulting 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 exertion 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 battery. 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 song, and the possibilities of such exchange may be somewhat 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 receive 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, are much facilitated. I desire for instance, such service from another as the carrying of a bag or message or the conveyance 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 intervention of wealth the satisfaction of desire on both sides becomes 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 become 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 other 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 which they make. But 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 naturally 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 impressed 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 triangular 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 CALLED 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 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 consumption to the satisfaction of desire. Much of it is devoted 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 tangible 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 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 chapter 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 convenient 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, and the third portion he will plant in order that in the future he may more readily and more abundantly 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.

All Capital Is Wealth, but Not All Wealth Is Capital.

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 production 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 satisfaction 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 offence 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 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 possessors advantages akin to the advantages given by capital, yet to transfer this metaphorical use of speech to economic reasoning is, as many ponderous treatises will testify, provocative of fundamental confusion.

And so, while the possession of slaves, of special privileges, of public debts, of mortgages, or promissory notes, or other things of a kind that 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 can constitute no part of real capital. All the public debts of the world do not add in the slightest degree to the capital 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 railroads, etc., is in reality nothing but the inflation of expectation. 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 of 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 obtained 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 lands 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 possession 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 it is really recognized in ordinary speech if we pay attention to the core, or original meaning of the words. As I say in "Progress and Poverty," when speaking of capital, (Chapter II., Book I., "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 carriages of a hackman would be classed as capital; but an equipage kept for the pleasure of its owner would not be. 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 has 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 restaurateur 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 capital: 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 lot 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 man's stock which he expects to yield him a revenue is called his capital." And, omitting his unfortunate slip as to personal qualities, and qualifying somewhat 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 character, capabilities, or final destination of the things themselves, as has been vainly attempted to draw it, but it seems to me that we shall 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 transforming 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 theatre, 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, theatre or hotel, are not the owners, but the persons who from time to time use them.

*Money may be said to be in the hands of the consumer when devoted to the procurement of gratification, as, though not in itself devoted 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.

Nor is this definition inconsistent with the idea that capital is that part of wealth devoted to production. It is too narrow an understanding 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 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," "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 possession 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 XVIII.

Why Political Economy Considers Only Wealth.

SHOWING THAT POLITICAL ECONOMY, AS PROPERLY STATED, COVERS ALL THE RELATIONS OF MEN IN SOCIETY INTO WHICH IT IS NECESSARY TO INQUIRE.

Political economy does not include all the exertions for the satisfaction 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 nature of wealth and the laws of its production and distribution." The object noun 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 toward the satisfaction of desire, remains 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 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? Is not the proper object of the science the production and distribution of human satisfactions, and would not this definition, while including wealth, as material satisfactions through material service, also include services that do not take concrete form?

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 satisfactions.

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 does not pay his barber in recitations, or the singer pay his physician in tones, nor yet reversely do 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 exceptional 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 relation 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, 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 ourselves above the level of the mere animal, from which we stand, while no one can increase his own wealth in the common sense by increasing value from production, without 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 contemptuously, if not repugnantly, and that political economy, which is the science of the nature, production and exchange of wealth, should be so widely regarded as a selfish and hard science?

If we go into this question at all we must go deeper than has yet, I think, been done.

Where Is the Division Between Rich and Poor?

There is a distinction on which our 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 according 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 possession 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 comfortably 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 to truly 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? It seems to me that there must be. And if we stop to think of it, we may see that there is.

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 desires 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 Confucius 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 monstrous 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 correlatives of each other; the existence of a class of rich involving 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 kingdom of right doing which he preached rich and poor 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 of Wealth.

SHOWING THAT VALUES FROM OBLIGATION SEEM REALLY TO LAST LONGER THAN VALUES FROM 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 Horace's Odes—The Two Values Now Existing—Franchises and Land Values Last Longer Than Gold and Gems—Destruction in Social Advance—Conclusions from All This.

In making the distinction between values from production that really constitute wealth in political economy, and values from obligation, which are really not wealth at all, and may at best be classified as "relative wealth" in contradistinction to "real wealth," there is an important 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, consists of material things. They 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, produced for a purposed consumption that involves immediate destruction. And since I think we may properly speak in a different sense of the consumption of a book by reading it, or of a picture or statue by looking at it, even that part 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, 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 represent 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 the powerful prime minister of Augustus Caesar have failed to perpetuate his memory; but far further than his world extended, the name of Mecaenas yet lives for us in the odes of Horace.

Now, in the same way, the values which cannot be included 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 obligations 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; while many values of similar nature we treat as perpetual, as in 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.

Value Attaches to Ownership of Land.

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 by English kings long dust to their favorites and lemens. So do advowsons, rights of fishery and market, and other special privileges. While such franchises 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 unimpaired, but in many cases enormously increased.

Of all articles of value from possession 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 centuries 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 guaranteed 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 production, to steadily reduce the value of the great body of articles of wealth already in existence, and having value from production. In some cases indeed the effect of social advance is to suddenly and utterly 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 improvements, 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 centres of social life.

It will be seen from our analysis, as indeed from observation, 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, 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 of Money to Wealth.

SHOWING THAT SOME MONEY 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 complicated and confused by current discussions, especially in the United States, as to require for its complete elucidation a fulness 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?"

To this no categorical answer can be given, for the reason that what we properly call money is in all countries in our 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 their 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.

END OF BOOK II.

OLD MILE STONES OF NEW YORK.

Four of Them Are Still Standing, Defaced by Age and Nearly Illegible.

Although it is many years since milestones were first placed in position in this city for the guidance of the wayfarer, there are still a few remaining to remind the observer that the city was not always as great as it is to-day. One of the nearest of these stones to the City Hall is located in front of No. 214 Bowery, directly opposite Rivington street. You might pass it a thousand times, however, without noting the fact that the stone is an old-time mile-stone. The inscription on its face is much weather-beaten, and nearly always covered by a theatrical poster. The age and wear that the stone has been subjected to in its time has resulted in the figures and letters it bears becoming so indistinct that it is necessary to run the fingers over its face to decipher them at all.

Besides this stone, there are three others within the city limits. The second one is just above Sixteenth street, and in front of No. 178 Third avenue. This stone stands a little nearer the curb than the first, and has been badly defaced by the hubs of trucks and wagons. One corner of it has entirely disappeared.

The third stone stands in front of No. 952 Third avenue. Its inscription is not more legible than that on the others, but its general condition is better. The fourth is just above Seventy-seventh street, in front of Nos. 1356-1358 Third avenue. It stands straighter than any of the others, and its inscription is more easily read. All of the stones are located on the west side of the street, and unless a person were looking for one, notice would not be given them at all.

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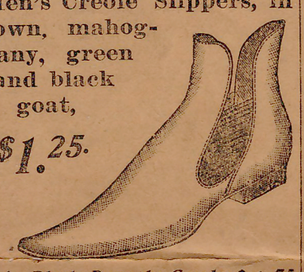

Men's Black Dongola Creole Slipper..... $1.75
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Men's Brown Russia Calf Creole Slipper..... $2.00
Men's Light Brown Goat Creole Slipper..... $2.50

Men's Brown Real Alligator Opera Slipper..... $1.50
Men's Black Real Alligator Opera Slipper..... $1.50
Men's Russet Real Alligator Opera Slipper..... $1.50
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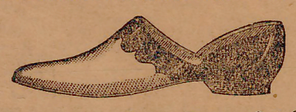
Men's Seal Brown Real Alligator Opera Slipper, hand-sewed turn..... $2.50
Men's Black Real Alligator Opera Slipper, hand-sewed turn..... $2.50
Men's Brown Real Alligator Opera Slipper, hand-sewed turn..... $2.50



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Men's Green Goat Opera Slippers..... $1.00
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Men's Russet Goat Opera Slippers..... $1.25
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LADIES' HEMSTITCHED, strictly all linen..... .11 to .32
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IN FANCY BOX, half dozen Ladies' Lace Trimmed Handkerchiefs..... 1.44
IN FANCY BOX, half dozen Men's Handkerchiefs, colored border..... .49
IN FANCY BOX, half dozen Men's Initial Handkerchiefs, 1.44. 2.74
IN FANCY BOX, half dozen Children's Handkerchiefs, initialled and colored border..... .15
IN FANCY BOX, quarter dozen Children's All Linen Handkerchiefs, initialled and colored border..... .24
IN FANCY BOX, quarter dozen Children's Handkerchiefs, colored border..... .24. .29. .31
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UMBRELLAS.

THREE SPECIAL NUMBERS in substantial close rolling Umbrellas; beautiful handles, suitable for all ages and both sexes .....1.97. 2.98 and 3.49
HIGH GRADE UMBRELLAS. Our stock is now complete; prices range from..4.98 to 19.98
Each one a special bargain. Fully 25 per cent less than elsewhere.

MACKINTOSHES.

2d floor, 6th ave. side.

MISSES' MACKINTOSHES, navy blue, cashmere finish, all sizes..... 1.39
LADIES' MACKINTOSHES, all wool cashmere, double texture, two capes, velvet collar, worth $5.50..... 3.24

HOUSE ROBES.

Made in our own factory, and superior in workmanship and materials to similar goods sold elsewhere at higher prices.

LADIES' HOUSE ROBES, all wool elderdown, silk girdle.... 2.24

FANCY GOODS.

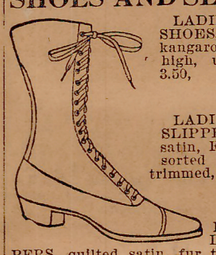
Vienna SMOKERS' STANDS and TABLES in a large variety of designs.

Stands..... .34 to 2.99
Tables..... 1.24 to 8.24

Novelties in fancy Metal Goods, INKSTANDS, JEWEL BOXES, SMOKERS' SETS, CLOCKS, THERMOMETERS, CANDLESTICKS, &c., at lowest prices in the city.

Richly ornamented wooden JEWEL BOXES also GLOVE, HANDKERCHIEF and PHOTO BOXES, all satin lined and with lock and key.....1.24. 1.49 and 2.54

SHOES AND SLIPPERS.



LADIES' STORM SHOES, lace, calf, with kangaroo tops, 10 inches high, usually sold at 3.50, 2.63

LADIES' ROMEO SLIPPERS, quilted satin, French heels, assorted colors, fur trimmed, 1.87

LADIES' BOUDOIR SLIPPERS, quilted satin, fur trimmed, 1.49

MEN'S SLIPPERS, glazed and colored kid..... .99
MEN'S ROMEO SLIPPERS, black kid..... 1.24
MEN'S SLIPPERS of alligator skin, patent leather trimmed and kid lined..... 1.88
MEN'S SLIPPERS, russet goat, chamois lined..... 1.49
MEN'S SLIPPERS of extra fine quality kid, patent leather trimmed, chamois lined..... 2.49
MEN'S ROMEO SLIPPERS, fine kid, chocolate color, lap sides.. 2.99
BOYS' and CHILDREN'S SLIPPERS, red and black, fancy trimmed ..... .93. 1.06. 1.24
Annex.
BOYS' RUBBER BOOTS, "STORM KING".. 2.49 and 2.99
BOYS' LEGGINS, russet goat, 3 straps..... 1.49
BOYS' DRESS SHOES, patent leather, kangaroo top, built on stylish lasts, sold elsewhere at 3.50 and 4.00..... 2.49 and 2.97
BOYS' SHOES, lace, veal calf and oak tanned leather soles, made for wear, round and medium toes, three widths, sizes 12 to 2, 1.24; sizes 2½ to 5½..... 1.49

DIAMONDS AND JEWELRY.

Our assortment is unsurpassed in the BEAUTY AND VALUE of the goods.

NOVELTIES and FASHIONABLE CONCEITS in gems and precious metals are here at prices marvellously low. The GOLD IS GOLD and the jewels are right. You may depend upon their being what we sell them for, no matter how much lower in price than you expected to find them. This is one of the many directions in which we enable you to frequently get TWO PRESENTS FOR THE PRICE OF ONE.

THE DIAMOND COUNTER is rapidly becoming a popular centre for new and fashionable designs and for matching up diamonds for setting. Our stock was never so complete in precious stones of all kinds.

DIAMOND BROOCHES, mounted with pearls, turquoises, rubies, &c.; prices from.....5.49 to 174.24
SPECIAL—25 ASSORTED BROOCHES, with cut diamond centre, reduced from 9.99 and 8.99 to 6.94
DIAMOND RINGS, with pearls, turquoises, emeralds, &c.; also solitaires; over 300 styles; prices from.....6.24 to 139.88
SCARF PINS for ladies and gentlemen, 150 designs, and some fine whole pearls; prices from 5.99 to 103.07

STERLING SILVER NOVELTIES.

Adjoining Jewelry, first floor.

Sterling Top INK WELLS..... .24
Sterling Handle Pearl PAPER CUTTERS ..... .44
Sterling Top SALVE BOXES..... .47
Sterling Back DRESSING COMBS.. .57
Sterling Handle NAIL FILES and BOOT HOOK ..... .54
Sterling Handle TOOTH BRUSHES, CURLING IRONS, &c..... .54

LADIES' NECKWEAR.

Main aisle, store floor.

GUIPURE COLLARETTES, worth from 1.50 to 2.00..... .69
FANCY COLLARETTES, lace and ribbon trimmed, worth 1.00..... .59

Also latest styles in SCARFS, SASHES, JABOTS and FRONTS, at exceptionally LOW PRICES.

SWORD PINS; prices from 10.99 to..... 299.47
STUDS, EARRINGS, EARSCREWS, LINKS, CUFF BUTTONS, LOCKETS, &c., &c., with and without jewels, in great variety.
LADIES' SILVER CHATELAINE WATCHES, with second hand, good time pieces, at. 2.99
BOYS' SILVER WATCHES, with second hand, at..... 3.41
IVORY MINIATURES, hand painted, mounted as brooches, .49. .79 and..... .94

FEATHER BOAS.

BOAS, black ostrich feathers, 18 inches long...2.41. 2.99. 3.61 and..... 4.21
36 inches long.....5.98 and 7.94
45 inches long.....7.89 and 9.69
54 inches long.....9.69 and 10.81

A USEFUL HOLIDAY PRESENT.

OUR STAR SEWING MACHINE, with "DROP CABINET." Highest grade mechanism, five years' guarantee. No better sewing machine has ever been or can be made. Perfection is the only descriptive word to apply to it, and that tells the whole story. There is absolutely no difference in quality between this and the $65 agency machines; our price..... 21.24

TOYS.

DRUMS, best quality, from 8 inch, at .24 to 2.26
TRUMPETS, all nickel, from .10 to .49
TENPINS, fine quality, striped and plain..... .17 to .76
Tin RAILWAY TRAINS.....34 to 5.99
Iron RAILWAY TRAINS, freight and passenger .44 to 3.79
German TIN STOVES, with all the utensils .24 to 1.98
GUNS, made in Germany..... .24 to .99
AIR GUNS..... .62. .87. 1.74
A large lot of Woolly Animals marked down to half-price.
Sleighs and Cutters at prices ranging from..... .71 to 3.91

USEFUL PLAYTHINGS.

It sounds like a paradox, but it is all right. Toy Furniture is useful and educational as a plaything for the little miss. So with the other items on the following list. The toys are all good and substantial, and are merely samples of the many bargains we have always on hand. We have them in sufficient quantity to meet any demand. The price comparisons may be depended upon, and they are positive indications of the way all goods are sold here and elsewhere.

	Elsewhere.	Our Price.
REVOLVING CHAIR..... Leather seat.	1.50	1.24
FOLDING BED..... White Enamel.	2.00	1.24
BUREAU..... 3 Drawers, with glass.	3.50	2.84
FLYER SLED..... Flexible.	2.00	1.63
CHILD'S ROCKER..... Cane seat.	1.25	.93
SECRETARY DESK.....	2.50	2.18
CYLINDER DESK.....	3.25	2.83
TRYCICLE	3.25	2.79
PERFORATED SEAT ROCKER.	.50	.39
GENUINE SILICATE SLATE BLACKBOARD, on EASEL.	1.25	.87
CHIFFONIER	4.98	2.99
CARRIAGE	3.75	2.89
BUCKBOARD	4.50	3.24
IMPORTED BENTWOOD ROCKER	4.50	3.89
SLEIGH	1.25	.98
SLEIGH	1.50	1.09
SHOOFLY, in frame.....	1.60	1.29
BIG ROOMY ROCKER.....	1.50	1.19
LINEN COVERED TRUNK..	2.00	1.24
GO CART.....	2.25	1.88
PUSH SLEIGH.....	2.00	1.47

DOLLS.

The balance of our JUMEAU DOLLS (to dress) arrived late. They are the standards of doll excellence, and would be as good next Christmas as now, but we never carry over goods from one season to another. The Jumeau Dolls were, therefore, reduced to close them out. You can buy them at 1-3 less than our regular prices.

Were 3.99, now 2.49.
Were 19.98, now 9.49.

PICTURES.

3d floor, Sixth ave. side.

This is a comparatively new department, and to popularize it we are offering extraordinary values. We have a very large assortment of Framed Pictures, including fine Oil Paintings, at prices much lower than elsewhere.

"THE DANCING LESSON," hand colored photograph, framed in handsome three-inch gilt, 26x30..... 7.49
PASTEL LANDSCAPES, beautifully carved 3½-inch gilt frame, burnished gold corners and edge, 30x40 ..... 9.98
"ON THE HACKENSACK," beautiful water color, by Bazayne, handsome two-inch lacquer and gold, Florentine corners, 24x28..... 16.49
"BREWERTON'S" PASTELS, Marines and Landscapes, 3½-inch Florentine gold frames, gilt mat, 20x37..... 17.49
"SUMMER," after TOJETTI, hand colored photograph, 2½-inch lacquer and gold, 30x34.. 21.88

GLOVES.

CHILDREN'S MITTENS, fleece lined, fur top.... .44. .49 and .59
Also same in Suede..... .89
CHILDREN'S GLOVES, fur top, .59. .89 and .94
CHILDREN'S GLOVES, mocha lined ..... .64
LADIES' GLOVES, lined and with fur top..... .89 and 1.34
Also same in plain style..... .89
MEN'S GLOVES, lined and fur top ..... .89 and 1.19
Also same in plain... .89 and 1.34
MEN'S CASTOR GLOVES, lined 1.19
Men's Coney GAUNTLET GLOVES, for driving 2.24 and 2.99
MEN'S DRIVING GLOVES, sealskin..... 10.79 and 11.99
LADIES' GAUNTLET GLOVES, sealskin..... 11.09
CONTINUATION SPECIAL SALE OF FOSTER'S HOOK GLOVES, REAL FRENCH KID, PIQUE SEWN, usually sold at 1.75—our price has always been 1.50—our special price per pair..... .99
Colors:—Black, tans, browns, modes.

MEN'S BATH ROBES.

BATH ROBES of elderdown, medium weight, in a large assortment of colors and designs, advertised elsewhere as a great bargain at 2.75; our price.... 2.39
Complete line of TERRY ROBES, imported and domestic, ranging from..2.49 to 7.49

MACKINTOSHES, CARDIGAN JACKETS and STOCKINET COATS in great variety; prices much lower than elsewhere.

STATIONERY FOR HOLIDAY GIFTS.

Main floor.

WRITING DESK SETS, 3 pieces, Calendar, Inkstand and Desk Blotter, worth 1.00..... .49
A fine line of Memorandum, Address and Engagement Books, also Visiting Lists, attractively bound in leather, with sterling silver corners..... .49 to 2.09
WRITING PAPER and ENVELOPES, in fancy boxes.. .19 to 1.59

GAMES.

RAPID SHUTTLECOCK. 99c to 2.09
NEW GAME OF ARCKERINA.... 1.84
GAME OF INDIA, regular price $1.00 ..... .39
MAIL AND EXPRESS..... .44
BICYCLE GAME..... .34
Large assortment of 50c. games at. .17

FURNITURE.

Annex.

OF SPECIAL HOLIDAY INTEREST—ANOTHER GREAT DISPLAY, ODD PIECES, ODD SHAPES, REAL GOLD LEAF AND VERNIS-MARTIN CHAIRS, TABLES AND PARLOR CABINETS; also solid mahogany.

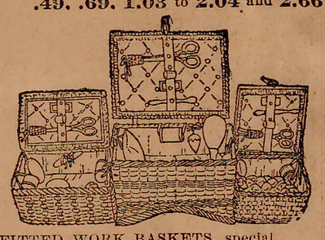
LADIES' DESKS, 100 patterns, including all the popular woods and some handsome inlaid with metal and pearl; ranging in price from 2.49 to..... 71.29
MUSIC CABINETS, a great display of styles and designs, ranging in price from 4.99 to..... 35.29
MORRIS CHAIRS, solid oak, brass rod, reversible cushion; advertised elsewhere as a bargain at $4.50; our price..... 2.99
ROCKERS, mahogany finish, upholstered in green velvet, back and seat embroidered..... 4.16
ROCKERS, mahogany finish, back and seat upholstered in all silk; advertised elsewhere at $9.00; our price..... 6.24

PERFUMERY.

PERFUMES, in fancy Ribbon trim Bottles..... .29 and .48
PERFUMES, in Fancy Decorated Jugs..... .24. .39. .48
HANDKERCHIEF EXTRACTS, 1 oz. bottle, 2 in handsome box.. .98
HANDKERCHIEF EXTRACTS, 2 oz. bottle, 2 in handsome box. 1.34

Christmas Gift Suggestions from Our Notion Department.

POCKET KNIVES,
STAG HANDLES.
Two blades..... .24
Three blades, .36. .49. .54. to .83. and 1.04
Four blades, .49. .54. .71. .94 and 1.33
PEARL HANDLES.
Two blades..... .47. .49. .73. .84
Three blades, .49. .67. .99. 1.18. 1.28
Four blades, .49. .69. 1.03 to 2.04 and 2.66



FITTED WORK BASKETS, special designs, 1.44. 1.71. 2.07 to 2.49 and 2.99
Work Baskets fitted up to purchaser's taste at shortest notice.
SILK WORK BAGS, basket bottom .41
CELLULOID BASKETS, round or square..... .27
GARTERS, all silk, plated clasps... .41

ART GOODS.

Main floor.

STAND COVERS, Japanese silk, gold embroidered, with knotted silk fringe..... 1.39
SCARFS, of satin, tinsel embroidered both ends, extra long, all colors..... 1.49

CHRISTMAS CANDY.

OUR OWN CANDY FACTORY, newly established, is now in perfect running order, We produce a large assortment of very fine confectionery, superior to anything we ever handled before. WHY should you pay Broadway candy store prices when you can get the same quality here at half?

We make most of our own CANDIES and GUARANTEE them ABSOLUTELY PURE.

SPECIAL PACKAGES will be ready Christmas week at our usual low prices.

CORNUCOPIAS—SNAPPING MOTTOES—LACE PAPERS for cake—FANCY SHAPES for candy boxes—MOTTO PAPERS.

Holiday Gift Books and Sets.

PRESCOTT, 16 vols., cloth..... 9.61
PRESCOTT, 16 vols., extra fine half calf..... 21.61
EMERSON, 12 vols., extra fine half calf 23.74
HAWTHORNE, 15 vols., extra fine half calf..... 32.19
WHITE'S SHAKESPEARE, 10 vols., fine half morocco..... 21.99
DICKENS' WORKS, 15 vols., half morocco..... 17.88
O. W. HOLMES' WORKS, 13 vols., fine half calf..... 24.99
IRVING'S WORKS, 8 vols..... 5.63
HUGO'S WORKS, 6 vols..... 4.81
GEO. ELIOT'S WORKS, 8 vols., fine half calf..... 8.49
THACKERAY'S WORKS, 10 vols., fine half calf..... 11.41
QUO VADIS, 2 vols. (illus.)..... 3.99
GIBSON'S DRAWINGS..... 3.49
LUCILE, Edition de Luxe..... 4.81
LETTERS OF ELIZ. BARRETT BROWNING 2.88
LIFE OF TENNYSON (by his son) 8.89
THE LEVANT SERIES OF POPULAR AND STANDARD BOOKS, beautifully bound in Half Levant, containing the following titles: LITTLE MINISTER, FIRST VIOLIN, WESTWARD HO, LUCILE, FIRST PRINCIPLES, DATA OF ETHICS, MAKERS OF FLORENCE, MAKERS OF VENICE, and many others... Elsewhere $1.00, Our Price .89 each.
STODDARD'S GLIMPSES OF THE WORLD, finest edition, published at $5.00, our price... 1.84
GENUINE OXFORD BIBLES..... .67

A complete line of Catholic and Episcopal Prayer Books at exceedingly low prices.

Holy Water Fonts and Statuettes.

THE CENTURY MAGAZINE, bound in 2 vols., per set..... 1.49
The True Story of Washington.. The True Story of the United States ..... The True Story of Columbus..... .69
Adventures in Toy Land..... 1.29
Abbott's Naval History of the United States..... 1.49
Dutton's Holiday Annual..... .74
Our Little One's Annual..... 1.08

ALBUMS.

ALBUMS, embossed leather, 1.29. 1.49. 1.89 and up from 2.07
ALBUMS, leather, marbleized leaves, 1.89. 3.21 and up from 4.66
ALBUMS, celluloid. 1.21. 1.56. 1.74. 1.88
ALBUMS, celluloid and plush. 2.49. 2.71. 3.31

Musical Instruments.

MANDOLINS, 1.49. 4.67 and up from 7.07
BANJOS.....4.14. 5.61. 6.67. 7.99
GUITARS....4.02. 4.49. 6.34. 8.21
VIOLINS.....1.99. 3.99
AUTOHARPS, 2.27. 3.06 and up from 4.68
ZITHERS.....1.61. 2.21. 3.99
METRONOMES.....2.31. 2.99

HOUSE FURNISHINGS.

Basement.

THE MOST COMPLETE DEPARTMENT in this line in New York. We sell only first qualities. Prices range FROM 20 TO 50 PER CENT LESS THAN ELSEWHERE.

ENGLISH STEEL CARVERS, 1,000 pair, the entire stock of an English manufacturer who is giving up business, was closed out to us at half the regular prices. We sell them at the same rate.

Prices: 98—1.19—1.39—1.49—1.69.

BRASS BIRD CAGES..... .44 to 2.91
CANARY BIRDS.—A very advantageous purchase of Canary Birds enables us to sell good singers at $1.29. This has been our price for some days and will continue to be our price during the holiday season 1.29
Five o'clock TEA KETTLES, Brass..... .91 to 5.79
Russian COFFEE POTS, on stand and swing, 2 to 12 cups ..... 2.27 to 4.84
Fancy SCRAP BASKETS .19 to 2.91
Celluloid SCRAP BASKETS..... 2.91
Celluloid FLOWER POT HOLDERS 1.29
Celluloid MUSIC RACKS..... 2.58
Willow MUSIC RACKS..... 1.74
Willow Standing Work Baskets, up from..... .74
MOST COMPLETE LINE OF FANCY BASKETS IN NEW YORK CITY.

CLOCKS.

Our CLOCK DEPARTMENT, the largest one of its kind in the city, furnishes the INTENDING PURCHASER of a HOLIDAY GIFT the WIDEST RANGE OF CHOICE, comprising:—

NEW JEWELLED REGULATORS.
MANTEL SETS WITH PAINTED PANELS,
ONYX AND MARBLE CLOCK SETS AND CANDELABRA.

CLOCKS, ranging in price from the small ALARM CLOCK, for.. .59 to the RICH CLOCK SET, with ONYX and ORMOLU, for..... 199.66
MANTEL CLOCK, small size, 8-day movement, handsomely decorated, and an assortment of colors 2.99

ARTISTIC POTTERY, RICH CUT GLASS, DECORATED CHINA.

Our GRAND DISPLAY of FINE CHINA and GLASS, both USEFUL AND ORNAMENTAL, IS NOW AT ITS BEST and has no equal, either for variety, quality or low prices.

Specials in Bric-a-Brac Cabinet Specimens.

Our Rudolstadt Pottery has sent us a full line of CABINET ORNAMENTS, hand painted, Dresden flowers, such as Stools, Chairs, Tables, Desks, &c., which are marked to sell at less than ONE-HALF the prices you have been accustomed to pay for these artistic trinkets; also a lot of MINIATURE PIECES of CARVED IVORY at

.47, .67 and .97 each:

and a choice lot of Bric-a-Brac at prices that are astonishingly low, including some HIGH-CLASS PAINTINGS on Ivory by best French artists.

UNPARALLELED PRICES.

RICH CUT GLASS.

A sale of CUT GLASS that unquestionably maintains our reputation of giving GREATER VALUE than any other house.

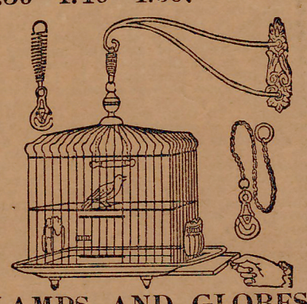
As the goods offered are the

FINEST THE WORLD PRODUCES,

the question of quality is settled. Now as to prices. Don't take our say-so, but compare them with those advertised elsewhere as "such wonderful bargains," and then decide.

Here is the solution in a nutshell. WE ARE MANUFACTURERS; you pay us ONE small margin of profit, and not TWO or THREE, as you must to other houses that do not manufacture.

SALAD or FRUIT BOWLS, assorted styles, 10 inch, elsewhere 8.00, our price..... 6.47
9 inch, elsewhere 7.00, our price 5.47; 8 inch, elsewhere 5.00, our price..... 3.49
NAPPIES, fancy cutting, 7 inch, elsewhere 3.50, our price..... 2.49
8 inch, elsewhere 4.50, our price 3.49; 9 inch, elsewhere 6.00, our price..... 4.97
CELERY TRAYS, new shell shape, elsewhere 5.00, our price 2.93
CELERY HOLDERS, tall, elsewhere 4.00, our price..... 2.49
PITCHERS, quart size, elsewhere 5.00, our price..... 4.23
PITCHERS, pint size, elsewhere 3.50, our price..... 2.87
GOBLETS, per doz., elsewhere 12.00, our price..... 9.97
SAUCER CHAMPAGNES, per doz., elsewhere 12.00, our price. 9.97
WINES, per doz., elsewhere 7.00, our price..... 5.98
CHAMPAGNE TUMBLERS, per doz., elsewhere 8.00, our price.. 6.83
LEMONADE GLASSES, per doz., elsewhere 8.50, our price..... 7.48
OIL BOTTLES, elsewhere 2.25, our price..... 1.89



LAMPS AND GLOBES.

OUR ASSORTMENT OF DECORATED LAMPS and GLOBES of all descriptions is unapproached, either for VARIETY OR LOW PRICES.

Notwithstanding the immense space devoted to HOLIDAY BRIC-A-BRAC, our UNRIVALLED STOCK of EVERY-DAY CROCKERY and GLASS will be kept full as usual.

Candelabra, Water Pitchers Coffee Sets, Tea Sets, Fern Dishes in all the Meriden Makes.

STERLING SILVER.

In VELVET SATIN LINED CASES, arranged to suit the wants of the HOLIDAY PURCHASER.

TEASPOONS, BERRY SPOONS, BOUILLON SPOONS, TABLESPOONS, FORKS AND LADLES—in fact, everything useful in this line adapted for table adornment.