

labour. Nothing can be capital which is not wealth. Neither land nor labour can ever be capital.

42. Strange as it may at first seem, many eminent economists, academics, businessmen and politicians have never mastered the terms, and the result is the chaos which we see everywhere. It is a recent trend among "economists" to "liberate" themselves by dispensing with terms and definitions. This has much the same results as removing the brakes from a car or dispensing with wheel-alignments. If there is any misunderstanding between a surgeon and his assistants as to the meaning of his words the result will almost certainly be disastrous or fatal.
43. The following will provide practice in distinguishing between Land, Labour, Wealth:
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| Air, sunlight, ocean, etc..... | Land |
| Allotment without improvements:..... | Land (or site) |
| A cottage: | Wealth |
| Allotment with cottage:..... | Both land and wealth |
| Ship:..... | Wealth |
| Slave:..... | Man (Not wealth. When producing, labour) |
| Skill, mental abilities:..... | Man (When exercised they are labour). |
44. Note the errors in the following definition of wealth by John Stuart Mill: "Wealth is all useful and agreeable things which possess exchangeable value". Note: Land and slaves, and in some countries children, and even hearts and kidneys, nowadays fall into Mill's definition, to be found in his "Political Economy", 7th edn., at 80-88.
45. Money, as such, is not wealth, although the metal, or paper, or other material, which form it, is wealth. Money is a labour-saving device, and a representative of wealth in the market. Goods and services in reality exchange for goods and services, not for money. See J.S.Mill, "Political Economy", Book III, chapter VII.

CHAPTER 5.

SOCIAL PRODUCTION

46. A good deal about this has already been said. Modern production never takes place except in and with reference to the market. There is no production other than by labour, but the whole economy is essentially

geared to dispensing with or reducing it as far as possible. Plenty, ease, or leisure, i.e. the reduction of labour, is the ultimate objective of the economy and of everybody involved or engaged in it. It is fascinating and often amusing to observe the different methods and devices which everybody uses to reduce necessary labour, mental and physical.

All labourers and non-labourers alike benefit from the economies, which have their origin in human nature and not from conscious thought, but only as long as, and to the extent that, the market is freely open to all and on equal terms.

Nature, however, has also ordained that exertion and labour cannot be completely avoided. If that goal should ever be attained economic science and economics would no longer exist.

The primary importance of the only two basic factors in production cannot be over-emphasised. Land is the source and material of all wealth. Labour is the active force, agent and producer.

Co-operation

Co-operation is the twin brother of exchange, and is an essential part of all economic production. It has two main methods:

47. 1. Combining the labour. If two men wish to build houses they will economise by combining the effort, both lifting loads too heavy for one, making one journey instead of two, one order at the store instead of two.
2. Separating or dividing the labour, which consists of one man doing one job only and others doing one job only, and exchanging their products. The following quotation from "Progress and Poverty" adequately explains this method of production, which is one of the essential features of economics: "Society in its most highly developed form is but an elaboration of society in its rudest beginnings. The steam grist mill, with its complicated machinery exhibiting every diversity of motion, is simply what the rude stone mortar was in its day - an instrument for grinding corn. And every man engaged in it, whether tossing wood into the furnace, running the engine, dressing stones, printing sacks or keeping books, is really devoting his labour to the same purpose that the prehistoric savage did when he used his mortar - the preparation of grain for human food. Each individual who takes part in the infinitely subdivided network of production and exchange is really doing what the primeval man did when he climbed the trees for fruit - endeavouring to obtain from nature by the exertion of his powers the satisfaction of his desires. ...Keeping these principles in view we see that the draughtsman who, shut up in some dingy office on the banks of the Thames, is drawing the plans for a great marine engine, is in reality devoting his labour to the production of bread and meat as truly as though he were garnering

the grain in California; that he is as truly making his own clothes as though he were shearing sheep in Australia....The miner digging out silver ore is in effect, by virtue of a thousand exchanges, harvesting crops, chasing the whale, plucking tobacco leaves, cutting sugar-cane, gathering or weaving cotton, making toys for his children or plucking oranges.!"

Another name for economic co-operation and the division of labour is trade. On the division of labour see also G. Bernard Shaw's "Intelligent Woman's Guide" (1928), p. 8

The Economic Something for Nothing

Every form of economy (such as business organisation), but particularly co-operation, is the economic way of getting something for nothing, i.e. without additional labour. Those who are pathetically always trying to get something for nothing by speculation (especially in land) or buying Lotto tickets should take note of this. Economic co-operation, i.e. production and exchange, enormously increases the products of labour, but requires no additional effort by the labourers; in fact it requires less effort than the efforts of the primitive labourer. It can, therefore, be correctly said that the products of co-operation are costless. Even more: co-operation reduces the labour.

As will be seen later, rent, the greatest of all products of co-operation, is therefore costless, and is the greatest gift to man, arising from his economic nature.

Nobody loses by co-operation. In speculation there are many losers and few gainers. Exchange is the essence of co-operation, because it is essentially economic.

The Scope of Production

48. Production begins at a point or points on land (a farm, rubber-trees, a coal deposit, a river, an oyster-bed or an oil-field), continues through many points of exchange at innumerable points on innumerable sites, and ends at the stage(retail) where the customer receives the finished article, also by exchange, at the store or other commercial spot. At every point of exchange further steps towards the final production of the article take place, and every step is a labour-process which brings the article closer to the consumer. The customer who receives it from the retailer is the consumer - the production is finished. The product which he has purchased is the final goal of (1) all the labourers who have taken

part in the production and exchange of the product, i.e. the money-equivalent of the article, which the retailer receives from the customer.

The customer has received the final goal of all his labour, and the retailer still has one exchange to make, i.e. when he exchanges the customer's money for whatever he spends it on.

The customer may either consume the article, or save it for the future. Any domestic work required, such as cooking, cleaning, repairing, forms no part of the productive and exchanging process in the market. The housewife's part, although every bit as useful and necessary and skilful as the productive processes in and for the market, is not part of the economy.

Risk

49. Insurance against risk is economic because it reduces the burden of loss, but is passed over in this book because it is only one of the many practices of producers to reduce labour by exchange and co-operation.

Taxation

50. Taxation, on the other hand, is no part of economics, despite what many orthodox economists mistakenly teach. It is not part of production, exchange or distribution. It is a levy by governments on the products of labour after both production and economic distribution are finished.

CHAPTER 6

CAPITAL

51. Capital consists of (a) wealth, i.e. the products of labour, (b) which is not consumed to satisfy desire but is brought back into production, (c) and used by labour to reduce effort and increase the production of wealth and services.

Among the commonest of the innumerable forms of capital are tools, machines, ships, trucks, roads, bridges, shops, and the stock-in-trade with which shops are filled. Most forms of capital are privately owned, but many are owned by the community, e.g. roads, bridges, reservoirs and public buildings. In America telephones are privately, but in Australia publicly owned. The ownership makes no difference. What matters is that capital must be wealth (the product of land and labour,