

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,

but not itself land or labour), and used to assist labour in producing wealth and services. Ownership produces nothing, and is not part of economics. Labour, using capital, produces everything, including capital.

Labour always uses and employs capital. Capital never employs labour. Capital increases wages, but the increased product arising from the use of capital is all wages, not a third factor called interest.

52. All capital is wealth, but all wealth is not capital. The use to which the wealth is for the time being put determines whether it is capital.

Capital may correctly be defined as either (a) wealth used in the production of wealth or services, or (b) wealth in the course of exchange.

53. Examples of what is and what is not capital:

LAND No. Residence No. Slave No. Coal in the earth No. Stock of coal at pit-head Yes. At home No. Bread At home No. In shop Yes. Umbrella Same as bread. Pack of cards Same as bread. When used for gambling No. Public Bridge Yes. Toll-gate No. It hinders production. Taxation is not production. Aeroplane Yes, if used to produce goods or services in the market.

54. In orthodox "economics" (including socialism, communism, and all present political parties) there is a mass of confusions about capital. Adam Smith's definition is not perfect, but is comparatively clear: "that part of a man's stock which he expects to afford him a revenue."

Investment

55. Most people understand capital very well in practice but not in theory. But they are almost all extremely hazy about investment. Popularly it means putting money into anything, e.g. land, whether productive or not. Very often it means purchasing shares in a firm or company, or lending to receive interest.

56. The true meaning of economic investment, however, is not only the provision but also the use of capital by labour in production.

By the use of capital the product (wealth) is enormously increased, which yields high wages, namely more goods and services (wealth), with less effort. But it is labour, not capital, that produces. Modern production uses vast quantities of highly sophisticated capital, but all wealth (including capital) is produced by labour and used by labour. So the labourers are the only real capitalists.

Our political misgovernment robs the producers of most of the capital and wages as soon as they have produced them, and gives them to

non-producers. But that is an entirely different story, discussed and explained elsewhere in this book and in many others, particularly those by Henry George. Exploitation and robbery are the products of corrupt government, and have nothing to do with economics.

57. The labourer with hand and brain equips and surrounds himself with capital of innumerable sorts - tools, machines, plant, stocks of materials, industrial or professional uniforms, and complicated labour-saving devices - all of which are capital. He both metaphorically and literally clothes himself with them; hence the word 'invest'. He is clothed into the capital. He appears in the appropriate clothing or uniform for the job, is surrounded by the appropriate and recognisable buildings, machinery, engine-cabins, class-rooms and libraries, telescopes, signal-boxes, shops and bakeries. So the producers are recognisable by both their surroundings and their skill and knowledge. Surgeons and nurses, providing services, are conspicuous and picturesque examples of this.

Nobody except the labourer is a capitalist. But unfortunately most of the most accomplished and brilliant labourers, such as explorers, mathematicians and scientists, fail to realise that they are labourers, capitalists and producers, and so lack knowledge and economic education, while the great masses of ordinary "manual" workers (as though there were producers who do not use their mental powers!) are generally unconscious of the science of economics which so vitally concerns them. Not only the "higher" classes of labourers but even more the "lower" classes need education and knowledge. Labourers are really the highest class of society.

SPURIOUS CAPITAL

THE COUNTER-ECONOMY

58. For a complete understanding of economics, i.e. of the economy, which is essentially healthy and beneficial to all, we must also understand the morbid or pathological anti-economy, or counter-economy, which exists alongside and within, but separate and distinguishable from, the economy, and which is a political structure produced by misgovernment. The essence of misgovernment is privilege (private law) granted by governments to some individuals and groups at the expense of others. These uneconomic and anti-economic injustices cause severe obstructions, distortions and disruptions of the economy and are responsible for all our "economic problems", including poverty, unemployment, the "wages-struggle", internal strife and modern military wars.

Although this book is mainly an analysis and explanation of the economy, the counter-economy (anti-economy) infects the economy in the same way as cancer-cells infect the otherwise healthy body, and so calls for an explanation here.

Moreover, the counter-economy obscures the true economy in somewhat the same way as the clouds obscure the sun which is the source of daylight. The media and public discussion are almost exclusively occupied with the problems, and even the horrors, of the counter-economy, such as unemployment, budget problems, inflation and internal and external strife and conflict. All the so-called "economic" problems so endlessly discussed in newspapers, text-books and lectures are not economic at all but are really studies in the evils and confusions of the counter-economy. For example, students for a degree in economics are generally required to master the complicated and voluminous legislation and decisions in both Commonwealth and States relating to "fixing" and regulating wages, without ever learning what wages are and how natural law costlessly and harmoniously controls and regulates them if not interfered with by Legislation, which is a never-ending series of political violations of human rights, on which violations the counter-economy is built. First it diverts the natural public revenue - the site-rent - from the community to politically favoured persons or groups. As the governments must have revenue they then resort more and more to taxation which reduces wages to a bare living, and capital to an artificial scarcity. This explains the wages-struggle and the excessively high rates of interest. The economy is thus inverted or stood on its head. The economy produces abundance; the counter-economy scarcity. The economy produces cheapness and low prices; counter-economy dearth and high prices. In the economy capital produces abundance; in the counter-economy privilege and spurious capital hamstring the economy and even threaten to destroy it.

The new student therefore faces a great hidden obstacle to the study of the true economy. He is constantly told that the counter-economy is the economy. To counteract this he must master the nature and functions of the economy.

Three examples of spurious capital will assist him:

1. An owner of *slaves* owns them by virtue of a legal privilege; an unjust private law, which confers on him an unearned income, namely the appropriation of the products of other men's labour. In this counter-

economy slaves are regarded as capital because they are a source of income to their "owner", but in reality they are spurious capital, masquerading as capital.

2. *Land* is also regarded as capital because its "ownership" gives the owner an unearned income. But capital never gives an unearned income to anybody, because capital is never produced or used except by productive labour, so that all wealth produced by labour, using capital, is wages. Land can never be capital because it is not a product of labour.

3. Government gives to some favoured company a *monopoly* (e.g. the sole legal right to manufacture steel) by legislation prohibiting the import of steel from abroad. Soon the company will be a multi-millionaire (like B.H.P. which recently had \$17 billion to "invest" but still ask and receives governmental subsidies to "save" it), and its share will sky-rocket and be regarded as capital, although in many such companies there is little or no discernible real capital at all. The close relationship between spurious capital and value-from-obligation is thus clear. We are riddled by both, which are basically the same thing. Innumerable examples can be readily found.

The student must therefore mentally overcome the diversions of the spurious economy and concentrate on the true economy. All alleged "economic problems" are actually the problems of the counter-economy.

The following extract should further help to clarify this somewhat difficult subject:

"There are two ways of saving yourself effort - the political way of imposition and the social way of competition. But the former method of economy is anti-economic, while the latter is economic. Economic man goes to market in order to save himself effort, while anti-economic man goes to parliament to save himself effort. Economic man is always seeking more freedom for society; anti-economic man is always seeking more power for governments. Economic science primarily and properly studies economic men, but derivatively and improperly it has to study the antics of the anti-economic men. It was a failure to notice this invasion of the economic world by the anti-economic men that caused writers to confuse both types under the name of 'economic man'. And because of this confusion regarding the man studied, the ideas of wealth and of value became hopelessly entangled". (Value-Normal and Morbid" by H.G.Pearce, 1985 edn.,par.383).