

CHAPTER 19

INVESTMENT

136. As the majority of people are so hazy about capital (though most have a good practical knowledge of it) they are naturally also hazy about investment. The word is popularly used to mean lending to receive interest, or purchasing shares in a company or in a productive or speculative project.
137. The true economic meaning of investment, however, is the use of capital by labour in production. By the use of capital the product (wealth) is increased abundantly, and the use of capital therefore yields high dividends. But it is labour, not capital, that produces. Modern production involves the use of vast quantities of sophisticated capital, but capital is still wealth produced by labour and used by labour. The dividends of true investment are therefore the earnings of labour (wages).
138. The labourer with hand and brain equips and surrounds himself with tools, machines, stocks of materials, industrial uniforms, labour-saving devices. He literally clothes himself with them. Every worker is recognisably clothed appropriately for the job. The miner, the farmer, the gardener, the engineer, the banker, the baker, are all in the appropriate environment and equipment - buildings, silos, engine-cabins, classrooms and libraries, bakeries and signal-boxes. All these are the capital with which the labourer is clothed or invested. Only the labourer while labouring is an investor and a capitalist. Investment therefore relates only to active production by labour.

CHAPTER 20

REPETITIONS AND COMMENTS ON VALUE

139. The basic work for a mastery of general economics (political economy) is "Progress & Poverty", and Henry George's other works are almost equally necessary. His special exposition of value is in "The Science of Political Economy". Another important and special work is "Value - Normal and Morbid" by H.G. Pearce (Sydney, 1985 edn.). The quotations in pars. 139-141 of this book are from the latter work.

The only kind of value which forms part of economics is exchange-value. Use-value (utility) does not enter into economics, although

without use-value no article of wealth can have exchange-value; if an article is not in some way useful it will not be found in the market-place.

In this book whenever the term 'value' is used without qualification exchange-value is meant.

Exchange-value is objective, i.e. it refers to the article of wealth itself, not to the assessor or valuer. It is determined by the market, and is at the heart of economics. "The market is the only meter of value, and in the market products relate themselves according to their objective quantities, whose existence depends on human effort (pars. 201-227), and see also pars. 256, 259

The Two Kinds of Value - Economic and Political

Both these kinds of value are real and operate in the market. But "the one - economic value - arises in the market, in the reciprocity of the exchange-economy, where the magnitude of the value is settled by competition, i.e. the common appetite of all men to economise in effort; whereas a large amount of the other value arises in the parliamentary lobbies, where special interests seek to save exertion at the expense of the economic organism. The one saving of exertion is mutual, the other is unilateral. The economic means of securing a living yields a profit to all, while the political means of multiplying value yields a profit to some men at the expense of others. In the former case every plus involves a correlative plus; in the latter every plus involves a correlative minus. One value is the product of mutual service, the other is of the nature of an obligation to render services without return" (par. 232).

Whereas the economic value arises in the market, the political value is thrust into the market by political force.

The Two Sources of Value

140. Thus "there are two ways in which value may originate:
1. "From the exertion of effort in such a way as to save future exertion of effort in obtaining the satisfaction of desire (par. 235).
 2. "From the acquisition of political power on the part of some men to compel or command exertion on the part of others, or from the (politi-

cal) imposition of obstacles to the satisfaction of desire that render more exertion necessary for the production of satisfaction" (par. 235).

Value arising from the first mode is value-from-production, and value arising from the second mode is value-from-obligation (par. 235).

"Value is one and the same quality, but we may distinguish as to its origin between value-from-production and value-from-obligation, just as we may distinguish the two sources of the Nile.

"The value of a thing is the amount of toil and trouble it will save to its possessor (as in the case of Crusoe), or (as in the usual case) another may be willing to undergo to exchange for it.

"No matter how this quality comes to be attached to them - whether from production or from obligation - things have value when, so long and so far as, they will purchase exemption from toil and trouble in the satisfaction of desire" (par. 235).

CHAPTER 21

THE TWO KINDS OF LABOUR

141. As with value, so, for a similar reason, there are two kinds of labour. One is correctly termed labour, or economic labour. The other is correctly termed work or effort.

Economic labour, the active element in production, is natural and necessary.

The false, political, unproductive work is the economic opposite of labour. It is wasted effort, caused by misgovernment. War is one of the gross forms of wasted effort, producing nothing at tremendous effort. Armaments, fortification, etc. etc., although they are often miscalled wealth, are not true wealth. They are the products of land and work, not land and labour. They satisfy no normal desire. Similarly, destruction is work but not labour. It is the opposite of production and satisfies no normal desire. There are, of course, certain types of destruction which form part of construction, such as the demolition of buildings for the purpose of constructing new ones on the sites.

Military destruction is probably the worst type of fruitless work, involving great human loss and suffering, as poetically described in