

## Chapter 4

### Workers Not Supported By Capital

BUT ONE DOUBT may linger. A farmer cannot eat a furrow; nor can a half-built loom weave clothes. John Stuart Mill asserted that people are maintained “not by the produce of present labor, but of past.” Or, as another popular text put it, many months elapse between sowing the seed and baking the bread.\*

An assumption is made in these passages that appears self-evident. Namely, that labor must ‘subsist on capital produced by prior labor. This thought runs through the entire fabric of political economy. A related proposition is regarded as equally axiomatic. That is, that “population regulates itself by the funds which are to employ it, and, therefore, always increases or diminishes with the increase or diminution of capital.”\*\* This assumption, in turn, further influences economic reasoning.

On reflection, however, we see these propositions are not self-evident—they are absurd! They require the assumption that labor cannot be exerted until the products of labor are saved. This puts the product *before* the producer.

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\* Millicent Garrett Fawcett (1847-1929), *Political Economy for Beginners*, Chap. III, p. 25.

\*\* David Ricardo (1772-1832), *Principles of Political Economy*, Chap. 11. The idea is common in many works.

To say a people eat breakfast before going to work is not to say that they cannot go to work unless an employer provides breakfast. People do not decide to eat or fast based on whether or not they propose to engage in productive labor. They eat because they are hungry.

The proposition that present labor must be maintained by past production is true only in the sense that lunch provides the fuel for the afternoon's work, or that before you eat a rabbit, it must be caught and cooked. Clearly this is not the sense in which the proposal is used in economic reasoning. That sense is that a stock to support workers must already exist before carrying out any effort that does not immediately yield wealth available for subsistence. Let us see if this is true.

Did Robinson Crusoe,\* shipwrecked on an island, have to accumulate a stock of food before he began to build his canoe? Not at all. He needed only to spend part of his time getting food, and part of his time building the canoe.

Suppose a hundred people landed in a new country. Would they have to accumulate a season's worth of provisions before they could begin to cultivate the soil? Obviously not. What is required is that part of the group find enough fish, game, and berries to support them all. And that, through mutual self-interest or common desire, those gathering food in the present are willing to exchange it with those whose efforts are directed toward the harvest in the future.

What is true in these cases is true in all. Producing things that cannot be used immediately does not require

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\* Hero of the novel published in 1719 by Daniel Defoe (1660-1731), English writer.

the previous production of wealth for maintaining workers during production. All that is necessary is, within the circle of exchange, the contemporaneous production of sufficient subsistence—assuming a willingness to trade one for the other.

As a matter of fact, isn't it true that, under normal circumstances, consumption is supported by contemporaneous production? Imagine a wealthy idler who lives on an inheritance and does no productive work at all. Does he live on wealth accumulated in the past? On his table are fresh eggs, butter, and milk; meat from the butcher; vegetables from the garden. In short, hardly anything has not recently left the hand of productive labor, except perhaps some old bottles of wine.

What this man inherited—and what he lives on—is not actually wealth at all. It is only *the power to command wealth*, as others produce it. His sustenance is clearly taken from productive labor going on around him. (Remember we must include transporters and distributors, as well as those in the first stages of production.)

London contains more wealth than the same size space almost anywhere else. Yet if productive labor in London were to stop completely, within a few months hardly anyone would be left alive. It is the daily labor of the community that supplies its daily bread.

Workers engaged in long-term endeavors are supported by other workers producing sustenance. They engage in their respective work simultaneously. To build a modern public project taking years to complete, the government does not appropriate wealth already produced. It uses wealth yet to be produced—to be taken in taxes from producers as the work progresses.

There may be a thousand intermediate exchanges in the circle of exchange between two parties. A mechanic wants food, clothing, and shelter for her family. How does her work on an engine secure these items? Reduced to its most basic terms, the transaction really amounts to an exchange of labor between herself and the producers of those items.

What causes a mechanic to work on an engine? Someone with the power to give her what she wants is willing to exchange those things for an engine. In other words, there exists a demand for an engine from those producing bread, meat, and so on. Or, one step removed, there is a demand for an engine from others who are producing still other things that are wanted by those producing bread, meat, etc. Reversely, the demand of the mechanic for bread and meat directs an equivalent amount of labor toward the production of those things. Thus, her labor produces, implicitly, the things she spends her wage on. To put this in formal terms:

*The demand for consumption determines the direction in which labor will be expended in production.*

All the complexities of our subject disappear in light of this simple and obvious principle. We see the real objects and rewards of labor within the intricacies of modern production. We reach the same conclusions we did from observing the simpler forms of production and exchange in primitive society. We see that now, as then, each laborer is trying to obtain, by his or her work, the satisfaction of his or her own desires.

The minute division of labor assigns each worker only a small part—or perhaps nothing at all—of producing the particular things he desires. Even so, in helping to

produce what others want, he is directing their labor to produce the things he wants. In effect, he is producing them himself.

Thus we see that, no matter what is taken or consumed by workers in return for their labor, there is no advance of capital.

If I have made knives and bought wheat, I have simply exchanged one for the other. I have added knives to the existing stock of wealth and taken wheat from it. It cannot even be said that I have lessened the stock of wheat. For by adding knives to the exchangeable stock of wealth and taking out wheat, I have directed other labor—at the end of a long series of exchanges—to produce more wheat. Just the same as the wheat grower, by putting in wheat and demanding knives, guided others to produce knives.

So farmers tend their fields, many months from harvest. Yet, by their exertion in plowing, they are producing the food they eat and the wages they receive. For though plowing is only part of producing a crop, it is as necessary a part as the harvesting. By the assurance it gives of a future crop, it releases other items from the general stock, which is constantly held. These then become the subsistence and wages of the plowman. This is not merely theoretically true. It is literally and practically true.

The series of exchanges that unite production and consumption may be likened to a curved pipe filled with water. If a quantity of water is poured in at one end, a like quantity is released at the other. It is not the identical water, but is its equivalent.

And so those who do the work of production put in what they take out. What they receive in subsistence and wages is but the product of their labor.