

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 textbook 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the schools, this work of genius which swayed all Europe in its day, is laid upon the shelf as an antiquated affair, superseded by the smaller and duller men who have pulled his system to pieces and are offering us the fragments as a science most of whose first principles are still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*.

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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.

CHAPTER I.

CONFUSIONS AS TO THE MEANING OF WEALTH.

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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 confusions 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.‡ Although I was then obliged to fix the meaning of the main term wealth in order to fix the meaning of the sub-term

* 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 afterwards 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 other economic work 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 have fallen, takes in the last edition of the "Encyclopædia 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."

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.

Malthus—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 and a useful object are 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-wealth-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 or knowledge which enables 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, is 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."

The endeavor 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 have been translated into English, and are 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 either to 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 totally unfit for any scientific purpose whatever. It is itself almost impossible to be defined, and consequently can serve no useful purpose in 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 find 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 consists 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-personal-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 "*Volkswirtschaftslehre*," 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 juridical 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 wade 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 (p. 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.

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 quantities. 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 for 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 lead-

* 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.

ing 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 (Vol. I., Chapter VII., Sec. 11, "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 the 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 $2 + 2 = 4$; $4 - 1 = 3$; $2 \times 4 = 8$; $4 \div 2 = 2$; 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 "sci-

ence 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 mold 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 be ended only 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.

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

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, intrenched 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 slaveholders, 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 economies of finance and economies of exchange and economies 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

* "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.)

wealth to the society, which has prevented the growth of any science of political economy 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 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 the 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 school-boys 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.

The power of a special interest, though inimical to the general interest, so to 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 in-

terests 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 mold 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.

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 centers 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 shoulders may live idly and daintily. Wherever and whenever what we may now see to be a palpable absurdity has passed for truth, we may see if we look close enough that it has always been because behind it crouched some powerful special interest, and that the man has hushed the questioning of the child.

This is of human nature. The world is so new to us when we first come into it; we are so compelled at every turn to rely upon what we are told rather than on what we ourselves can discover; what we find to be the common and respected opinion of others has with us such almost irresistible weight, that it becomes possible for a special interest by usurping the teaching province to make to us black seem white and wrong seem right.

Let no one indeed feel confident that he could have escaped any delusion, no matter how preposterous, that has ever prevailed among men, if he had lived when and where it was accepted. From as far back as we can see, human nature has not changed, and we have but to look around us to discover in operation to-day the great agency that has made falsehood seem truth.

Of the fact of which, in what I have quoted, John Stuart Mill speaks with reference to the doctrine that money is synonymous with wealth—the fact that accepted opinion

may blind even able and courageous men—he himself, in the same book and almost in the same paragraph, gives unconscious illustration, in the timidity with which he touches the question of the nature of wealth, when it leads beyond what Adam Smith had already shown, that it was not synonymous with money. He recognizes, indeed, that what is wealth to an individual is not therefore wealth to the community or nation, and definitely states, or rather concedes, that debt, even funded debt, is no part of the wealth of the society. But the way in which he does this is suggestive. He says:

The canceling of the debt would be no destruction of wealth, but a transfer of it; a wrongful abstraction of wealth from certain members of the community, for the profit of the government or of the taxpayers.

The gratuitous word “wrongful” shows the bias. And even this recognition that debt cannot be wealth in the economic sense is ignored in the subsequent definition of wealth.

So strongly indeed was John Stuart Mill, who seems to me a very type of intellectual honesty, under the influence of the accustomed ideas of his time and class, that although he saw with perfect clearness that the wealth that comes to individuals by reason of their monopoly of land really comes to them through force and fraud, yet he seemingly never dreamed that land was no part of national wealth. Nor yet, does he seem even to dream that the people of a country, once they had been forcibly deprived of it, could recover what he saw to be their natural right. In all the history of dead absurdities there can be no sentence more strikingly illustrative of the power of accepted opinion to hide absurdity than this of his:

The land of Ireland, the land of every country, belongs to the people of that country. The individuals called landowners have no

right in morality and justice to anything but rent, or compensation for its salable value.

This is simply to say that the ownership of the land of Ireland gave the people who morally owned it the right to *buy* it from those who did not morally own it.

What was it that hid from this trained logician and radically minded man the patent absurdity of saying that the individuals called landowners had no right to land, except that which is the sum and expression of all exchangeable rights to land—rent?

Whoever will examine his writings will see that it was his previous acceptance of certain doctrines—doctrines with which a succession of ingenious men had endeavored to bring into semblance of logical coherence a political economy vitally defective, and which resembled the elaborate system of cycles and epicycles with which the ingenuity of astronomers previous to Copernicus had endeavored to account for the movements of the heavenly bodies.

When an incongruous substance, such for instance as a bullet, is implanted in the human body, the physical system, as soon as it despairs of its removal, sets about the endeavor to accommodate itself to the incongruity, frequently with such success that at length the incongruity is not noticed. The stout, masterful man with whom I have just now been talking, and whom you might liken to a bull if it were not for the intelligence of his face, has long carried a bullet under his skin. And men have even been known to live for years with bullets in their brains.

So, too, with philosophical systems. When an incongruity is accepted in a philosophical system, the abilities of its professors are at once set to work to accommodate other parts of the system to the incongruity, frequently with such success that philosophical systems containing fatal incongruities have been known to command accep-

tance for long generations. For the mind of man is even more plastic than the body of man, and the human imagination, which is the chief element in the building up of philosophical systems, furnishes a lymph more subtle than that which the blood supplies to the bodily system.

Indeed, the artificialities and confusions by which an incongruity is made tolerable to a philosophic system, for the very reason that they cannot be understood except by those who have submitted their minds to a special course of cramping, become to them a seeming evidence of superiority, gratifying a vanity like that of the contortionist who has painfully learned to walk a little way on his hands instead of his feet and to twist his body into unnatural and unnecessary positions; or like that of the conveyancer or lawyer, who has in the same way painfully learned to perform such tricks with language.

And just as the long toleration by the physical system of such an incongruity as a bullet, a tumor or a dislocation, by reason of the efforts which the system has made to reconcile to it other parts and functions, renders it more difficult of removal or remedy, so the toleration in a philosophical system of an incongruity makes its removal or remedy far more difficult to those who have bent their minds to the system as it has by ingenious men been adapted to the incongruity, than it is to those who approach the subject from first principles, and who if they may have more to learn have less to unlearn. For it is true, as Bacon said, that "a cripple in the right way may beat a racer in the wrong one. Nay, the fleeter the racer is who has once missed his way, the farther he leaves it behind."

This, I think, is what was meant in the concise but deep philosophy of Christ by such sayings as that the Kingdom of Heaven, or system of right-doing, though revealed unto babes, is hidden from those deemed wise and prudent, and that what the common people heard gladly was foolishness

to the learned scribes and pharisees. With illustrations of this principle the history of accepted opinion in every time and place abounds.

It is not to the fancies of childhood that we must look for an explanation of the strength of long dominant absurdities. Michelet ("The People") truly says: "No consecrated absurdity would have stood its ground in this world if the man had not silenced the objection of the child."

But not to depart from the matter in hand: It is evident that the existence of a powerful class whose incomes could not fail to be endangered by a recognition of the fact that what makes them individually wealthy is not any part of the wealth of society, but only robbery, must from the beginning of the cultivation of political economy in modern times have beset its primary step, the determination of what the wealth of society consists of, with something of the same difficulty that prevented its development in classic times. And when the development commenced, and especially after it had been taken charge of by the colleges and universities, which as at present constituted must be peculiarly susceptible to the influence of the wealthy classes, it is evident that the efforts of able men to bring into some semblance of coherency a system of political economy destitute of any clear and coherent definition of wealth must have surrounded the subject with greater perplexities and helped powerfully to prevent the need of a definition of wealth from being felt.

This is precisely what we see when we examine the different attempts to define wealth in the economic sense, and note the increasing confusions that have attended them, culminating in the acceptance of the common meaning of the word wealth—anything that has exchangeable power—as the only meaning that can be given to the economic term; and the consequent abandonment of the possibility of a science of political economy.

Archbishop Whately, in the chapter on ambiguous terms appended to his "Elements of Logic," says in speaking of one of the ambiguities of the word wealth, that which led to the use of wealth as synonymous with money :

The results have been fraud, punishment and poverty at home, and discord and war without. It has made nations consider the wealth of their customers a source of loss instead of profit ; and an advantageous market a curse instead of a blessing. By inducing them to refuse to profit by the peculiar advantages in climate, soil or industry, possessed by their neighbors, it has forced them in a great measure to give up their own. It has for centuries done more, and perhaps for centuries to come will do more, to retard the improvement of Europe than all other causes put together.

In this, the Archbishop, though famous as a logician, "puts the cart before the horse."

These are not the effects of the confusion of a term. The confusion of the term is one of the effects of the influence upon thought of the same special interest that in its efforts to give wealth to individuals at the expense of the general wealth, has done and is doing all this.

Nor can this power of a great pecuniary interest to affect thought, and especially to affect thought in those circles of society whose opinions are most respected, ever be done away with save by the abolition of its cause—the social adjustment or institution that gives power to obtain wealth without earning it. The pecuniary interest in the ownership of slaves was never very large in the United States. But it so dominated the thought of the whole country that up to the outbreak of the civil war the term abolitionist was to good, kindly and intelligent people even in the North an expression that meant everything vile and wicked. And whatever else might have been the issue of the war, had the pecuniary interest in the maintenance of slavery remained, it would still have continued to show itself in thought. But as soon as the supplies of

the slave-owning interest were cut off by the freeing of the slaves this power upon opinion vanished. Now, no preacher, professor or politician, even in the South, would think of advocating or defending slavery ; and in Boston, where he narrowly escaped mobbing, stands a public statue of William Lloyd Garrison.

CHAPTER III.

WHAT ADAM SMITH MEANT BY WEALTH.

SHOWING HOW ESSENTIALLY ADAM SMITH'S PRIMARY CONCEPTION OF WEALTH DIFFERED FROM THAT NOW HELD BY HIS SUCCESSORS.

Significance of the title "Wealth of Nations"—Its origin shown in Smith's reference to the Physiocrats—His conception of wealth in his introduction—Objection by Malthus and by Macleod—Smith's primary conception that given in "Progress and Poverty"—His subsequent confusions.

IF, considering the increasing indefiniteness among professed economists as to the nature of wealth, we compare Adam Smith's great book with the treatises that have succeeded it, we may observe on its very title-page something usually unnoticed, but really very significant. Adam Smith does not propose an inquiry into the nature and causes of wealth, but "an inquiry into the nature and causes of *the wealth of nations.*"

The words I here italicize have become the descriptive title of the book. This is known, not as "Adam Smith's Inquiry," or "Adam Smith's Wealth," but as "Adam Smith's Wealth of Nations." Yet these limiting words, "of nations," seem to have been little noticed and less understood by the writers who in increasing numbers for almost a hundred years have taken this great book as a

basis for their elucidations and supposed improvements. Their assumption seems to be that it is wealth generally or wealth without limitation which Adam Smith treats of and which is the proper subject of political economy, and that if he meant anything by his determining words "of nations," he referred to such political divisions as England, France, Holland, etc.

Some superficial plausibility is perhaps given to this view from the fact that one of the divisions of the "Wealth of Nations," Book III., is entitled "Of the Different Progress of Opulence in Different Nations," and that in it illustrative reference is made to various ancient and modern states. But that in his choice of the limiting words "of nations" as indicating the kind of wealth into the nature and causes of which he proposed to inquire, Adam Smith referred to something other than the political divisions of mankind called states or nations, is sufficiently clear.

While he is, as I have said, not very definite and not entirely consistent in his use of the term wealth, yet it is certain that what he meant by "the wealth of nations," of the nature and causes of which he proposed to inquire, was something essentially different from what is meant by wealth in the ordinary use of the word, which includes as wealth everything that may give wealthiness to the individual considered apart from other individuals. It was that kind of wealth the production of which increases and the destruction of which decreases the wealth of society as a whole, or of mankind collectively, which he sought to distinguish from the word "wealth" in its common or individual sense by the limiting words, "of nations," in the meaning not of the larger political divisions of mankind, but of societies or social organisms.

In the body of the "Wealth of Nations" there occurs again the phrase which furnished Adam Smith the title for his ten years' work. In Book IV., speaking of those

members of "the French republic of letters" who at that time called themselves and were called "Economists," but who have been since distinguished from other economists, real or pretended, by the name of Physiocrats,*—a school who might be better still distinguished as the Single Taxers of the Eighteenth Century, he says (the italics are mine):

This sect, in their works, which are very numerous, and which treat not only of *what is properly called political economy, or of the nature and causes of the wealth of nations*, but of every other branch of the system of civil government, all follow implicitly, and without any sensible variation, the doctrines of Mr. Quesnai.

This recognition of the fact that, not wealth in the loose and common sense of the word, but that which is wealth to societies considered as wholes, or as he phrased it, "the wealth of nations," is the proper subject-matter of what is properly called political economy—shows the origin of the title Adam Smith chose for his book. He had doubtless thought of calling it a "Political Economy," but either from the consciousness that his work was incomplete, or from the modesty of his real greatness, finally preferred the less pretentious title, which expressed to his mind the same idea, "An inquiry into the Nature and Causes of the Wealth of Nations."

It has been much complained of Adam Smith that he does not define what he means by wealth. But this has been exaggerated. In the very first paragraph of the introduction to his work he thus explains what he means by the wealth of nations, the only sense of the word wealth which it is the business "of what is properly called political economy" to consider:

* From *physiocratie*, or government in the nature of things, or natural order, a name suggested, in 1768, by Dupont de Nemours, one of the most active of their number.

The annual labor of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labor, or in what is purchased with that produce from other nations.

Again, in the last sentence of this introduction he speaks of "the real wealth, the annual produce of the land and labor of the society." And in other places throughout the book he also speaks of this wealth of society or wealth of nations, or real wealth, as the produce of land and labor.

What he meant by the produce of land and labor was of course not the produce of land plus the produce of labor, but the joint produce of both—that is to say: the result of labor, the active factor of all production, exerted upon land, the passive factor of all production, in such a way as to fit it (land or matter) for the gratification of human desires. Malthus, indorsed by McCulloch and a long line of commentators upon Adam Smith, objects to his definition that "it includes all the useless products of the earth, as well as those which are appropriated and enjoyed by man." And in the same way Macleod, a recent writer whose ability to say clearly what he wants to say makes his "Elements of Economics," despite its essential defects, a grateful relief among economic writings, objects that if—

the annual produce of land and labor, either separately or combined, is wealth, then every useless product of the earth is wealth, as well as the most useful—the tares as well as the wheat. If a diver fetch a pearl oyster from the deep sea, the shell is as much the "produce of land and labor" as the pearl itself. So if a nugget of gold or a diamond is obtained from a mine, the rubbish it is found in and brought up with is as much the "produce of land and labor" as the gold or the diamond; and innumerable instances of this sort may be cited.

The communication of thought by speech would be at an end if Adam Smith could be asked to explain that the

produce of labor means what the labor is exerted to get, not what it is incidentally obliged to remove in the process of getting that. Yet most of the complaints of his failure to say what he means by wealth have no better basis than these objections.

In truth whoever will attend to the obvious meaning of the word he uses will see that what Adam Smith meant by "the wealth of nations" or wealth in the sense it is to be considered in "what is properly called political economy," is in reality what in the chapter of "Progress and Poverty" entitled "The Meaning of the Terms" (Book I, Chapter II.) is given as the proper meaning of the economic term—namely, that of "natural products that have been secured, moved, combined, separated, or in other ways modified by human exertion, so as to fit them for the gratification of human desires."

Through the first and most important part of his work, this is the idea which Smith has constantly in mind and to which he constantly adheres in tracing all production of wealth to labor. But having grasped this idea of the nature of wealth without having clearly defined its relation to other ideas still lying in his mind, he falls into the subsequent confusion of also classing personal qualities and debts as wealth.

CHAPTER IV.

THE FRENCH PHYSIOCRATS.

SHOWING WHO THE FIRST DEVELOPERS OF A TRUE SCIENCE OF POLITICAL ECONOMY WERE, AND WHAT THEY HELD.

Quesnay and his followers—The great truths they grasped and the cause of the confusion into which they fell—This used to discredit their whole system, but not really vital—They were real free traders—The scant justice yet done them—Reference to them in "Progress and Poverty"—Macleod's statement of their doctrine of natural order—Their conception of wealth—Their day of hope and their fall.

THE first developers in modern times of something like a true science of political economy, or, rather (since social truths, though they may be covered up and for a while ignored, must since the origin of human society always have been here to be seen), the men who first got a hearing large enough and wide enough to bring down their names and their teachings to our times, were the French philosophers whom Adam Smith speaks of in the sentence before quoted, as the sect who "all follow implicitly, and without any sensible variation, the doctrines of Mr. Quesnai."

François Quesnai, or Quesnay, as the name is now usually spelled, a French philosopher, who, as McCulloch says, was "equally distinguished for the subtlety and originality of his understanding and the integrity and simplicity of his character," was born June 4, 1694, twenty-eight years

before Adam Smith, at Mercy, some ten leagues from Paris. Beginning life in the manual labor of the farm, he was without either the advantages or, as they often prove to men of parts, the disadvantages of a scholastic education. With much effort he taught himself to read, became apprentice to a surgeon, and at length began practice for himself at Mantes, where he acquired some means and came to the knowledge of Marshal de Noailles, who spoke of him to the queen, who in her turn recommended him to the king. He finally settled in Paris, bought the place of physician to the king, and was made by the monarch his first physician. Abstaining from the intrigues of the court, he won the sincere respect of Louis XV., with whom as his first physician he was brought into close personal contact. The king made him a noble, gave him a coat of arms, assigned him apartments in the palace, calling him affectionately his thinker, and had his books printed in the royal printing-office. And around him, in his apartments in the palace of Versailles, this "King's Thinker" was accustomed to gather a group of eminent men who joined him in an aim the grandest the human mind can entertain—being nothing less than the establishment of liberty and the abolition of poverty among men, by the conformation of human laws to the natural order intended by the Creator.

These men saw what has often been forgotten amid the complexities of a high civilization, but is yet as clear as the sun at noonday to whoever considers first principles. They saw that there is but one source on which men can draw for all their material needs—land; and that there is but one means by which land can be made to yield to their desires—labor. All real wealth, they therefore saw, all that constitutes or can constitute any part of the wealth of society as a whole, or of the wealth of nations, is the result or product of the application of labor to land.

They had not only grasped this first principle—from which any true economy, even that of a savage tribe or an isolated individual, must start—but they had grasped the central principle of a true political economy. This is the principle that in the natural growth of the social organism into which men are integrated in society there is developed a fund which is the natural provision for the natural needs of that organism—a fund which is not merely sufficient for all the material wants of society, and may be taken for that purpose, its intended destination, without depriving the unit of anything rightfully his; but which must be so taken to prevent the gravest injuries to individuals and the direst disasters to the state.

This fund Quesnay and his followers styled the *produit net*—the net, or surplus, or remaining, product. They called it this, evidently because they saw it as something which remained, attached, as it were, to the control of land, after all the expenses of production that are resolvable into compensation for the exertion of individual labor are paid. What they really meant by the *produit net*, or net product, is precisely what is properly to be understood in English by the word “rent” when used in the special sense or technical meaning which it has acquired since Ricardo’s time as a term of political economy. Net product is really a better term than rent, as not being so liable to confusion with a word in constant use in another sense; and John Stuart Mill, probably without thought of the Physiocrats, came very close to the perception that governed their choice of a term when he spoke of economic rent as “the unearned increment of land values.”

That Quesnay and his associates saw the enormous significance of this “net product” or “unearned increment” for which our economic term is “rent,” is clear from their practical proposition, the *impôt unique*, or single tax. By this they meant just what its modern advocates now mean

by it—the abolition of all taxes whatever on the making, the exchanging or the possession of wealth in any form, and the recourse for public revenues to economic rent; the net or surplus product; the (to the individual) unearned increment which attaches to land wherever in the progress of society any particular piece of land comes to afford to the user superior opportunities to those obtainable on land that any one is free to use.

In grasping the real meaning and intent of the net product, or economic rent, there was opened to the Physiocrats a true system of political economy—a system of harmonious order and beneficent purpose. They had grasped the key without which no true science of political economy is possible, and from the refusal to accept which the scholastic economy that has succeeded Adam Smith is, after nearly a hundred years of cultivation, during which it has sunk into the contemptible position of “the dismal science,” now slipping into confessed incompetency and rejection.

But misled by defective observation and a habit of thought that prevailed long after them, and indeed yet largely prevails (a matter to which I shall subsequently more fully allude), the Physiocrats failed to perceive that what they called the net or surplus product, and what we now call economic rent, or the unearned increment, may attach to land used for any purpose. Looking for some explanation in natural law of what was then doubtless generally assumed to be the fact, and of which I know of no clear contradiction until “Progress and Poverty” was written, that agriculture is the only occupation which yields to the landlord a net or surplus product, or unearned increment (rent), over and above the expenses of production, they not unnaturally under the circumstances hit upon a striking difference between agriculture, which grows things, and the mechanical and trading occupations, which merely change things in form, place or ownership,

as furnishing the explanation for which they were in search. This difference lies in the use which agriculture makes of the generative or reproductive principle in nature.

This supposed fact, and what seemed to them the rational explanation of it, in the peculiar use made in agriculture of the principle of growth and reproduction which characterizes all forms of life, vegetable and animal, the Physiocrats expressed in their terminology by styling agriculture the only productive occupation. All other occupations, however useful, they regarded as sterile or barren, insomuch as under the fact assumed such occupations give rise to no net produce or unearned increment, merely returning again to the general fund of wealth, or gross product, the equivalent of what they had taken from it in changing the form, place or ownership of material things already in existence.

This was their great and fatal misapprehension, since it has been effectually used to discredit their whole system.

Still, it was not really a vital mistake. That is to say, it made no change in their practical proposals. The followers of Quesnay insisted that agriculture, in which they admitted fisheries and mines, was the only productive occupation, or in other words the only application of labor that added to the sum of wealth; while manufactures and exchange, though useful, were sterile, merely changing the form or place of wealth without adding to its sum. They, however, proposed no restrictions or disabilities whatever on the occupations they thus stigmatized. On the contrary, they were—what the so-called “English free traders” who have followed Adam Smith never yet have been—free traders in the full sense of the term. In their practical proposition, the single tax, they proposed the only means by which the free trade principle can ever be carried to its logical conclusion—the freedom not merely of trade, but

of all other forms and modes of production, with full freedom of access to the natural element which is essential to all production. They were the authors of the motto that in the English use of the phrase "*Laissez faire*" "Let things alone," has been so emasculated and perverted, but which on their lips was, "*Laissez faire, laissez aller*," "Clear the ways and let things alone!" This is said to come from the cry that in medieval tournaments gave the signal for combat. The English motto which I take to come closest to the spirit of the French phrase is, "A fair field and no favor!"

It is for the reason that of all modern philosophers they not only were the first, but were really true free traders, that I dedicated to the memory of Quesnay and his fellows my "Protection or Free Trade" (1885), saying:

By thus carrying the inquiry beyond the point where Adam Smith and the writers who have followed him have stopped, I believe I have stripped the vexed tariff question of its greatest difficulties, and have cleared the way for the settlement of a dispute which otherwise might go on interminably. The conclusions thus reached raise the doctrine of free trade from the emasculated form in which it has been taught by the English economists to the fullness in which it was held by the predecessors of Adam Smith, those illustrious Frenchmen, with whom originated the motto "*Laissez faire*," and who, whatever may have been the confusions of their terminology or the faults of their method, grasped a central truth which free traders since their time have ignored.

These French "Economists," now more definitely known as Physiocrats, or single taxers, had got hold of what in its bearings on philosophy and politics is probably the greatest of truths; but had got hold of it through curiously distorted apprehensions. It was to them, however, like a rainbow seen through clouds. They did not see the full sweep of the majestic curve, and endeavored to piece out their lack of insight with a confused and confusing terminology. But what they did see showed them its trend, and they felt that natural laws could be trusted where

attempts to order the world by human legislation would be certain to go astray.

Yet nothing better shows the importance of correct theory to the progress of truth against the resistance of powerful special interests than the complete overthrow of the Physiocrats. Their mistake in theory has sufficed to prevent, or perhaps rather to furnish a sufficient excuse to prevent the justice and expediency of their practical proposal from being considered.

I know of no English writer on the Physiocrats or their doctrines who seems to have understood them or to have had any glimmering that the truth which lay behind their theory that agriculture is the only productive occupation was an apprehension of what has since been known as the Ricardian doctrine of rent, carried out further than Ricardo carried it, to its logical results; but apprehended, as indeed Ricardo himself seems to have apprehended it, only in its relations to agriculture.

In "Progress and Poverty," after working out what I believe to be the simple yet sovereign remedy for the continuance of wide-spread poverty amid material progress, I thus, in the chapter entitled "Indorsements and Objections" (Book VIII., Chapter IV.), refer to the Physiocrats:

In fact, that rent should, both on grounds of expediency and justice, be the peculiar subject of taxation, is involved in the accepted doctrine of rent, and may be found in embryo in the works of all economists who have accepted the law of Ricardo. That these principles have not been pushed to their necessary conclusions, as I have pushed them, evidently arises from the indisposition to endanger or offend the enormous interest involved in private ownership in land, and from the false theories in regard to wages and the cause of poverty which have dominated economic thought.

But there has been a school of economists who plainly perceived, what is clear to the natural perceptions of men when uninfluenced by habit—that the revenues of the common property, land, ought to be appropriated to the common service. The French Economists of the last century, headed by Quesnay and Turgot, proposed just what

I have proposed, that all taxation should be abolished save a tax upon the value of land. As I am acquainted with the doctrines of Quesnay and his disciples only at second hand through the medium of the English writers, I am unable to say how far his peculiar ideas as to agriculture being the only productive avocation, etc., are erroneous apprehensions, or mere peculiarities of terminology. But of this I am certain from the proposition in which his theory culminated—that he saw the fundamental relation between land and labor which has since been lost sight of, and that he arrived at practical truth, though, it may be, through a course of defectively expressed reasoning. The causes which leave in the hands of the landlord a “produce net” were by the Physiocrats no better explained than the suction of a pump was explained by the assumption that nature abhors a vacuum; but the fact in its practical relations to social economy was recognized, and the benefit which would result from the perfect freedom given to industry and trade by a substitution of a tax on rent for all the impositions which hamper and distort the application of labor, was doubtless as clearly seen by them as it is by me. One of the things most to be regretted about the French Revolution is that it overwhelmed the ideas of the Economists, just as they were gaining strength among the thinking classes, and were apparently about to influence fiscal legislation.

Without knowing anything of Quesnay or his doctrines, I have reached the same practical conclusion by a route which cannot be disputed, and have based it on grounds which cannot be questioned by the accepted political economy.

The best English account of the Physiocratic views that I now know of is that given by Henry Dunning Macleod, in his “Elements of Economics” (1881). He seems to have no notion of the truth that lay at the bottom of a mistake that has caused their great services to be all but forgotten, and which I shall take opportunity in a subsequent book more fully to explain. To him it is “simply incomprehensible how men of the ability of the Physiocrats could maintain that a country could not be enriched by the labor of artisans and by commerce.” This he styles “one of those aberrations of the human intellect which we can only wonder at and not explain.” But nevertheless he awards them the honor of being the founders of the

science of political economy, declares that in spite of their errors "they are entitled to imperishable glory in the history of mankind," and gives in his own language an outline of their doctrine, from which (Book I., Chapter V., Sec. 3) I take the following:

The Creator has placed man upon the earth with the evident intention that the race should prosper, and there are certain physical and moral laws which conduce in the highest degree to ensure his preservation, increase, well-being, and improvement. The correlation between these physical and moral laws is so close that if either be misunderstood, through ignorance or passion, the others are also. Physical nature, or matter, bears to mankind very much the relation which the body does to the soul. Hence the perpetual and necessary relation of physical and moral good and evil on each other.

Natural justice is the conformity of human laws and actions to natural order, and this collection of physical and moral laws existed before any positive institutions among men. And while their observance produces the highest degree of prosperity and well-being among men, the non-observance or transgression of them is the cause of the extensive physical evils which afflict mankind.

If such a natural law exists, our intelligence is capable of understanding it; for, if not, it would be useless, and the sagacity of the Creator would be at fault. As, therefore, these laws are instituted by the Supreme Being, all men and all states ought to be governed by them. They are immutable and inescapable, and the best possible laws: therefore necessarily the basis of the most perfect government, and the fundamental rule of all positive laws, which are only for the purpose of upholding natural order, evidently the most advantageous for the human race.

The evident object of the Creator being the preservation, the increase, the well-being, and the improvement of the race, man necessarily received from his origin not only intelligence, but instincts conformable to that end. Every one feels himself endowed with the triple instincts of well-being, sociability, and justice. He understands that the isolation of the brute is not suitable to his double nature, and that his physical and moral wants urge him to live in the society of his equals in a state of peace, good-will, and concord.

He also recognizes that other men, having the same wants as himself, cannot have less rights than himself, and therefore he is bound to respect this right, so that other men may observe a similar obligation towards him.

These ideas—the product of reason, the necessity of work, the necessity of society, and the necessity of justice—imply three others—liberty, property, and authority, which are the three essential terms of all social order.

How could man understand the necessity of labor to obey the irresistible instinct of his preservation and well-being, without conceiving at the same time that the instrument of labor, the physical and intellectual qualities with which he is endowed by nature, belongs to him exclusively, without perceiving that he is master and the absolute proprietor of his person, that he is born and should remain free?

But the idea of liberty cannot spring up in the mind without associating with it that of property, in the absence of which the first would only represent an illusory right, without an object. The freedom the individual has of acquiring useful things by labor supposes necessarily that of preserving them, of enjoying them, and of disposing of them without reserve, and also of bequeathing them to his family, who prolong his existence indefinitely. Thus liberty conceived in this manner becomes property, which may be conceived in two aspects as it regards movable goods on the earth, which is the source from which labor ought to draw them.

At first property was principally movable; but when the cultivation of the earth was necessary for the preservation, increase, and improvement of the race, individual appropriation of the soil became necessary, because no other system is so proper to draw from the earth all the mass of utilities it can produce; and, secondly, because the collective constitution of property would have produced many inconveniences as to sharing of the fruits, which would not arise from the division of the land, by which the rights of each are fixed in a clear and definite manner. Property in land, therefore, is the necessary and legitimate consequence of personal and movable property. Every man has, then, centered in him by the laws of Providence, certain rights and duties; the right of enjoying himself to the utmost of his capacity, and the duty of respecting similar rights in others. The perfect respect and protection of reciprocal rights and duties conduces to production in the highest degree, and the obtaining the greatest amount of physical enjoyments.

The Physiocrats, then, placed absolute freedom, or property—as the fundamental right of man—freedom of Person, freedom of Opinion, and freedom of Contract, or Exchange; and the violation of these as contrary to the law of Providence, and therefore the cause of all evil to man. Quesnay's first publication, "Le Droit Naturel,"

against
Socialism.

contains an inquiry into these natural rights; and he afterwards, in another called "General Maxims of the Economical Government of an Agricultural Kingdom," endeavored to lay down in a series of thirty maxims, or fundamental general principles, the whole bases of the economy of society. The 23d of these declares that a nation suffers no loss by trading with foreigners. The 24th declares the fallacy of the doctrine of the balance of trade. The 25th says: "Let entire freedom of commerce be maintained; for the regulation of commerce, both internal and external, the most sure, the most true, the most profitable to the nation and to the state, exists in entire freedom of competition." In these three maxims, which Quesnay and his followers developed, was contained the entire overthrow of the existing system of Political Economy; and notwithstanding certain errors and shortcomings, they are unquestionably entitled to be considered as the founders of the science of Political Economy.

Wealth, in the economic sense of the wealth of societies, or the wealth of nations, Macleod goes on to state, the Physiocrats held to consist exclusively of material things, drawn from land—to man the source of all material things—by the exertion of labor, and possessing value in exchange, or exchangeability; a distinction which they recognized as essentially different from, and not necessarily associated with, value in use or usefulness. That man can neither create nor annihilate matter they repeated again and again in such phrases as: "Man can create nothing," and "Nothing can come out of nothing." They expressly excluded land itself and labor itself, and all personal capacities and powers and services, from the category of wealth, and were far ahead of their time in deriving the essential quality of money from its use in serving as a medium of exchange, and in including all usury laws in the restrictions that they would sweep away.

That these men rose in France, and as it were in the very palace of the absolute king, just as the rotten Bourbon dynasty was hastening to its fall, is one of the most striking of the paradoxes with which history abounds.

Never, before nor since, out of the night of despotism gleamed there such clear light of liberty.

They were deluded by the idea—the only possibility in fact, under existing conditions of carrying their views into effect in their time—that the power of a king whose predecessor had said, “I am the state!” might be utilized to break the power of other special interests, and to bring liberty and plenty to France, and through France to the world.

They had their day of hope, and almost it must have seemed of assured triumph, when in 1774, three months before Quesnay's death, Turgot was made Finance Minister of Louis XVI., and at once began clearing the ways by cutting the restrictions that were stifling French industry. But they leaned on a reed. Turgot was removed. His reforms were stopped. The pent-up misery of the masses, which they had been so largely instrumental in showing utterly repugnant to the natural order, burst into the blind madness of the great revolution. The Physiocrats were overthrown, many of them perishing on the guillotine, in prison or in exile. In the reaction which the excesses of that revolution everywhere produced among those most influencing thought, the propertied and the powerful, the Physiocrats were remembered merely by their unfortunate misapprehension in regarding agriculture as the only productive occupation.

France will some day honor among the noblest the centuries have given her the names of Quesnay, and Gournay, and Turgot, and Mirabeau, and Condorcet, and Dupont, and their fellows, as we shall have in English, intelligent explanations, if not translations of their works. But, probably for the reason that France has as yet felt less than the English and Teutonic and Scandinavian nations the influence of the new philosophy of the natural order, best known as the Single Tax, the teachings of these men seem at present, even in France, to be practically forgotten.

CHAPTER V.

ADAM SMITH AND THE PHYSIOCRATS.

SHOWING THE RELATION BETWEEN ADAM SMITH AND THE PHYSIOCRATS.

Smith and Quesnay—The "Wealth of Nations" and Physiocratic ideas—Smith's criticism of the Physiocrats—His failure to appreciate the single tax—His prudence.

ON the continental trip he made between 1764 and 1766, after resigning his Glasgow professorship of moral philosophy to accompany as tutor the young Duke of Buccleuch, Adam Smith made the personal acquaintance of Quesnay and some of the "men of great learning and ingenuity," who regarded the "King's Thinker" with an admiration "not inferior to that of any of the ancient philosophers for the founders of their respective systems," and was, while in Paris, a frequent and welcome visitor at the apartments in the palace, where, unmindful of the gaieties and intrigues of the most splendid and corrupt court of Europe that went on but a floor below them, this remarkable group discussed matters of the highest and most permanent interest to mankind.

This must have been a fruitful time in Adam Smith's intellectual life. During this time the almost unknown Scottish tutor, notable among his few acquaintances for his fits of abstraction, must have been mentally occupied

with the work which ten years after was to begin a fame that for more than a century has kept him at the very head of economic philosophers and in the first rank of the permanently illustrious men of his generation.

Upon this work he entered immediately after his return from the continent, in the leisure afforded him by the ample pension that the trustees of the Duke had agreed should continue until he could be provided with a profitable government place. The Duke himself, on coming to his majority and estates, seems to have made no effort to release himself from this payment by securing such a place for the man whom he always continued to regard with respect and affection, thinking doubtless that its duties, however nearly nominal, might somewhat interfere with his freedom to devote himself to his long work. And when, the "Wealth of Nations" having been at last published, its author was appointed by Lord North to be one of the Commissioners of Customs in Scotland—an appointment which seems to have been due to the gratitude of the Premier for hints received from that book as to new sources of taxation rather than to any pressure of the Buccleuch interest, and which raised the simple-mannered student to comparative opulence—the Duke insisted on making no change in his payment, but continued the pension for life.

The "liberal and generous system" of the French Economists could not fail to appeal powerfully to a man of Adam Smith's disposition, and the "Wealth of Nations" bears ample evidence of the depth of the opinion he in one place expresses in terms, that this system, "with all its imperfections, is perhaps the nearest approximation to the truth that has yet been published upon the subject of political economy." It was indeed his original intention as stated to his friend and biographer, Professor Dugald Stewart, to dedicate to Quesnay the fruits of his ten years'

application. But the French philosopher died in 1774, two years before the Scotsman's great work saw the light. Thus it appeared without any indication of an intention which, had it been expressed, might, in the bitter prejudice soon afterwards aroused against the Physiocrats by the outbreak of the French Revolution, have seriously militated against its usefulness.

The resemblance of the views expressed in this work to those held by the Physiocrats has, however, been noticed by all critics, and both on the side of their opponents and their advocates there have not been wanting intimations that Smith borrowed from them. But while he must have been eminently ready to absorb any idea that commended itself to his mind, there is no reason to regard these views as not originally Adam Smith's own. The keenness of observation and analysis, the vigor of imagination and solidity of learning, that characterize the "Wealth of Nations" are shown in the "Theory of the Moral Sentiments," written before Smith had left the University of Glasgow, and which indeed led to the invitation that he should accompany the young nobleman on his trip. They are shown as well in the paper on the formation of languages, and the papers on the principles which lead and direct philosophical inquiry, as illustrated in the history of various sciences, which are usually published with that work. It appears from the "Theory of the Moral Sentiments" that Adam Smith was even then meditating some such a book as the "Wealth of Nations," and there is no reason to suppose that without knowledge of the Physiocrats it would have been essentially different.

It is a mistake to which the critics who are themselves mere compilers are liable, to think that men must draw from one another to see the same truths or to fall into the same errors. Truth is, in fact, a relation of things, which is to be seen independently because it exists independently.

Error is perhaps more likely to indicate transmission from mind to mind; yet even that usually gains its strength and permanence from misapprehensions that in themselves have independent plausibility. Such relations of the stars as that appearance in the north which we call the Dipper or Great Bear, or as that in the south which we call the Southern Cross, are seen by all who scan the starry heavens, though the names by which men know them are various. And to think that the sun revolves around the earth is an error into which the testimony of their senses must cause all men independently to fall, until the first testimony of the senses is corrected by reason applied to wider observations.

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 passing teamster to a commonplace question, crystallized, as by lightning-flash, my brooding thoughts into coherency, and I there and then recognized the natural order—one of those experiences that make those who have had them feel there. After that they can vaguely appreciate what mystics and 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.

Afterwards, 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 these 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 disapproval 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 Book IV., Chapter IX., 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 should 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.

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 conditions of France and 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-round 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, traveling 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 powerful landowners—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 revealed the true beneficiaries of protection, but passed 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 landowner (the late General Beale, proprietor of the Tejon Ranch, and afterwards 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 landowners; 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 rulers 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 formerly 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.

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

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.

In 1798, five 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 crystallizing 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 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 defense of this system was seen to lie. The repeal of the corn-laws was carried against the strenuous resistance of the landowners 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 landowners, 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 has 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 practicable 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 Nations." 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 sub-term 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 were 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

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

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 new 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 1821 :

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.

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—predictions 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 indispensable 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 afterwards reprinted under the title of "The Character and Logical Method of Political Economy," quoted what he 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 yet 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 astro-

nomical 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 has 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 has 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 farther 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.

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—Trade-unionism in socialism.

THE "Wealth of Nations" won great vogue by 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 to the ruling class was what was offered 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.

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 question, this did not appeal to the feelings of the people. So it was settled for the 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 by Thomas Spence, delivered before the Philosophical Society of Newcastle, on November 8, 1775, a year prior to the publication of the "Wealth of Nations," and for which 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 Ranks 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 staunch 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 £1000 a year in the public services. And, while he would have the landlords pay all taxes, he thought it "wholesome and befitting that they should have the political ascendancy 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 Scottish 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 result 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 nominal 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, would at once be 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 working-men, 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.

This plan was very attractive to the more wealthy and influential class of Englishmen concerned in, or thinking of, emigrating to the newer colonies, and was finally adopted by the corporation concerned in settling West Australia, and afterwards the other Australian colonies. But even its obvious inferences 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 been noticed in the "British Quarterly Review" only 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 Scottish 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 cre-

dence 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 (p. 94) are :

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

The three things which he links together as respectively cause and effect, involving the conditions of society, are (p. 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 (p. 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 sub-propositions, 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 millennium, 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 from 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 landowners as landowners 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 £20,000,000 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 (p. 139) 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 cases 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.

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, second, on Doctrine." And in 1856 appeared a third book, "The Logic of the Christian Faith," being a dissertation on skepticism, 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.

In 1859 appeared in London "The Strength of Nations," by Andrew Bisset, 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 to it, and his final execution. "The Strength of Nations" very suggestively calls attention to the fact that feudal tenures were conditioned on 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 landholders 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 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 sometime be recognized as belonging to the community, a proposition that, though it amounted 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, the inductive, the socialistic and other protectionist schools which grew 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 improvement in the conditions of labor. Recognizing the workers as a class naturally separate from employers, it aimed to unite the laborers in 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 Karl 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 the 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.

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 existed 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 reliance on 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 combina-

tion could be called a science, and how it should get a following, can be accounted for only 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 trade-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 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 "Encyclopedia 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 at his own request taken, 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, and 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 the 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, 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 were 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 community 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 author'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 in London. 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 constituted property, and no attempt to make the laws of production or distribution cor-

relate 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 were their training and laborious study worth if it could be thus ignored, and if 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 fore-castle 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.

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 be successfully continued only 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 con-

verted 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 on which only a man of great reading and learning could express an opinion.

The first evidence of the change was given in the "Encyclopædia Britannica," which in Vol. XIX. 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 political economy by Professor

J. K. 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 reckoned 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 sterility 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 is 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 encyclopædias 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 1896, 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 Robert 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 Anglicized 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 be decided only 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 teachings 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; to the ponderous works of Eugen V. Böhm-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 Böhm-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 those 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 piecings 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 sub-term 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—Original 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 this confusion—Capability of use not usefulness—Smith's distinction a 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 needless pains, for here is a point from which slight divergences may ultimately distort conclusions to matters of the utmost practical 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 stethoscope 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 improvements in extraction now going on.

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 (Book I., Chapter IV.):

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 which 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.*

* 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

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 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 ("Principles of Political Economy," Book III., Chapter I., Sec. 1):

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

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 Part I., 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 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"

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 of 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.

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.

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 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 imme-

diately 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 acceptance of what much inferior thinkers to Adam Smith had deemed a correction of the great Scotsman. The gist of his argu-

ment 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 you'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 school-boy, 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 upper-class female infants by the Chinese, are all uses. But do they therefore imply usefulness?

Again, the thumb-screws brought from Russia by Drummond and Dalziel, when they were sent to Scotland by Charles II. to force Episcopacy upon the 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

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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 sub-term 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.

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 cannot 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.

Nor is there any common measure in the human mind 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.

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 hundredfold 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 were merely to cross the North 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 were 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 successfully to make such a trip, it may well be doubted whether he would not prefer to carry its weight in fresh water than to take a single diamond or gold piece and 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 ter-

minology. 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 sufficiently 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, and 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 confusion, 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 VALUE—ITS REAL MEANING AND FINAL MEASURE.

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.

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 meter, diameters of the earth, or diameters 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 afterwards 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 necessaries, 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 to 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 world 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

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

he evidently means the products or 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. . . . 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 to only 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 momentary clearness, really to 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 be determined only 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 re-christened 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 almost immediately to 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 value, 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

by 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 essence 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.

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—Re-statement 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 psychological school, which has been of recent years so generally accepted in the universities and colleges of the United States and England, and which derives 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 or 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 to keep in mind, and to use such phrases as "all things" or "anything" 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.

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 practically to 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 of 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 calked, 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 mold 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."

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 act 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 the 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 movable search-light, 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 of gratifying other desires, and thus 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. Ex-

change 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 sometime 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 sometime 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 replace only 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 that their possession would enable him to avoid in the gratification of his desires.

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 such 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 speech. Thus we frequently say of the exchange 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 a 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 on 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 towards 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 be known only to and can be measured only 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 any one is 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.

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 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 by only 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 principle 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 far to 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 in 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 restriction 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 or 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 sometime 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 obligation and dependent entirely upon expectation, but still a value—an exchangeable quantity, the possession of which could command through exchange other valuable things.

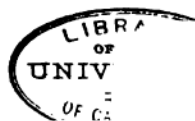
Or, again: Suppose the discoverers of the Isle of Eden, we have imagined, to have been of the same kidney as the Spanish discoverers of America, and instead of tempting the islanders to work for them by exciting their desire for new satisfactions, had compelled them to work by whipping, or killing them if they refused. The discoverers

might thus have carried off, as the Spanish conquistadors 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 afterwards, 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 politico-economic wealth. It consorted as wealth 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 as of two kinds.

By a clear distinction, the various ways in which value may originate, embrace (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 from obligation + value from exertion

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.

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, expressed 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 writings, or by the assignment of releases 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 ease 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 is 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 landholders of feudal times was the right of holding markets, of keeping dove-cotes, of succeeding in certain instances to the property of tenants; or of grinding grain, of coining money, of collecting floatwood, 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 readily to 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 India 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 tweedledum 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 Physio-

crats 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 island, and with power to enforce their claim by punishment, had 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 itself derives its power of serving as a medium or flux of exchanges 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, save 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 which 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 be obtained only 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 gratification 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.

CHAPTER 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 form one by dropping the "s" and 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 products 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 of either 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 to give not only 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 teaching 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 application 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 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 of 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 whomsoever wishes really to understand political economy there is now no difficulty in coming to a clear and precise determination of the nature of wealth, whichever 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 misfortunes, 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.

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 resource 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 such 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 synonymous 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 mean only 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 every-day 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 kernel 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 landowners 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 canceled, franchises abolished or taken by the state, slaves emancipated, and land returned

to the general usufructuary 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,

* 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."

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 formally 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

* Page 28.

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 all together 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 embedded in common speech that it would be hopeless to object to it in common usage.

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 molded 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 mold it. 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.

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 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, 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 the 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 plowing 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 fully to 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 zoölogical garden, who, coming to New York with her husband on the annual trip

* 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.

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-de-capello as "a good."

In its most general use "good" is an adjective, expressing a quality which can be thought of only 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 increments 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 con-

sider 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 primordial 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

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



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 towards 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. An 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 on 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

* Page 15.

of human labor as better to 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 towards 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 towards 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 towards 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 effort, 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, is 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 becomes 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 the 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 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.

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 satisfactions 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 offense 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 the kind 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 land 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 (Book I., Chapter II., "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 carriage of a hackman would be classed as capital; but an equipage kept for the pleasure of its owner would not. 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 had 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 let 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 a 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 theater, 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, theater 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

* 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.— [“Progress and Poverty,” Book I., Chapter II.]

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 towards 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 services, 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 does 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 relations 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 start; 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.

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 truly to 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 desire 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—Mæcenas'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 not really 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. These things 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 the parts 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 of material things 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 represents 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 Cæsar have failed to perpetuate his memory ; but far further than his world extended, the name of Mæcenas 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 is 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.

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 to their favorites and lemans by English kings long dust. 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 production 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 Mæcenas 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 guarantees 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, steadily to 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 suddenly and utterly to 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 centers 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, it has 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 fullness 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 its 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.