

CHAPTER 9 — THE OFFICE OF EXCHANGE IN PRODUCTION

The act of exchange is that of deliberately parting with one thing for the purpose and as a means of getting another thing. It is an act that involves foresight, calculation, judgment — qualities in which reason differs from instinct.

All living things that we know of cooperate in some kind and to some degree. So far as we can see, nothing that lives can live in and for itself alone. But man is the only one who cooperates by exchanging, and he may be distinguished from all the numberless species that with him tenant the earth as the exchanging animal. Of them all he is the only one who seeks to obtain one thing by giving another. No other animal uses bait to attract its prey; no other animal plants edible seeds that it may gather the produce. No other animal gives another what it would like to have in order to receive in return what it likes better. But such acts come naturally to man with his maturity, and are of his distinguishing principle.

Exchange is the great agency by which what I have called the spontaneous or unconscious cooperation of man in the production of wealth is brought about, and economic units are welded into that social organism which is the Greater Leviathan.

Of the three modes of production which I have distinguished as adapting, growing and exchanging, the last is that by which alone the higher applications of the modes of adapting and growing are made available. Were it not for exchange the cooperation of individuals in the production of wealth could go no further than it might be carried by the natural instincts that operate in the formation of the family, or by that kind of cooperation in which individual wills are made subordinate to another individual will. These, it is evident, would not suffice for the lowest stage of civilization. For not only does slavery itself, which requires that the slaves shall be fed

and clothed, involve some sort of exchange, though a very inadequate one, but the labor of slaves must be supplemented by exchange to permit the slave-owner to enjoy any more than the rudest satisfactions.

Many if not most of the writers on political economy have treated exchange as a part of distribution. On the contrary, it properly belongs to production. It is by exchange and through exchange that man obtains and is able to exert the power of cooperation which with the advance of civilization so enormously increases his ability to produce wealth.

The motive of exchange is the primary postulate of political economy, the universal fact that men seek to gratify their desires with the least exertion. This leads men by a universal impulse to seek to gratify their desires by exchange wherever they can thus obtain the gratification of desire with less exertion than any other way; and this is from the very origin of human society, and increasingly with its advance, the easiest way of procuring the satisfaction of the greatest number of desires.

And in addition to the laws already explained, there is another law or condition of nature related to man which is taken advantage of to the enormous increase of productive power in exchange: the office of competition in production.

That "competition is the life of trade," is an old and true adage. But in current thought and current literature there is so much assumption that competition is an evil that it is worthwhile to examine its cause and office in the production of wealth. Much of this assumption that competition is an evil that should be restricted in the higher interests of society springs from the desire of men unduly to profit at the expense of their fellows by distorting natural laws of the distribution of wealth. This is true of the form of socialism which was known in the time of Adam Smith as the

mercantile system or theory, and which still exists under the general name of protectionism. Much of it again has a nobler origin, coming from a righteous indignation with the monstrous inequalities in the existing distribution of wealth throughout the civilized world, coupled with a mistaken assumption that these inequalities are due to competition.

I do not propose here to treat either of protectionism or socialism proper, my purpose being not that of controversy or refutation, but merely that of discovering and explaining the natural laws with which a science of political economy is concerned.

The competition of men with their fellows in the production of wealth has its origin in the impulse to satisfy desires with the least expenditure of exertion. Competition is indeed the life of trade, in a deeper sense than that it is a mere facilitator of trade. It is the life of trade in the sense that its spirit or impulse is identical to the spirit or impulse of trade. Competition brings trade, and consequently service, to its just level, and is therefore necessary to civilization.

*They who, seeing how men are forced by competition to the extreme of human wretchedness, jump to the conclusion that competition should be abolished, are like those who, seeing a house burn down, would prohibit the use of fire.

The air we breathe exerts upon every square inch of our bodies a pressure of fifteen pounds. Were this pressure exerted only on one side, it would pin us to the ground and crush us to a jelly. But being exerted on all sides, we move under it with perfect freedom. It not only does not inconvenience us, but it serves such indispensable purposes that, relieved of its pressure, we should die.

So it is with competition. Where there exists a class denied all right to the element necessary to life and labor, competition is one-sided, and as population increases must press the lowest class into virtual slavery, and even starvation. But where the natural rights of

all are secured, then competition, acting on every hand — between employers as between employed; between buyers as between sellers — can injure no one. On the contrary it becomes the most simple, most extensive, most elastic, and most refined system of cōoperation, that, in the present stage of social development, and in the domain where it will freely act, we can rely on for the coordination of industry and the economizing of social forces.

In short, competition plays just such a part in the social organism as those vital impulses which are beneath consciousness do in the bodily organism. With it, as with them, it is only necessary that it should be free.

* *These last four paragraphs are taken from George's Protection or Free Trade (1886), Chapter 28. In the original edition of The Science of Political Economy, the very short and clearly unfinished chapter titled "Office of Competition in Production" was followed by the pencilled note, "Leave six pages." — L. D.*