

CHAPTER 10 — ORDER OF THE THREE FACTORS OF PRODUCTION

All economists give the factors of production as three: land, labor and capital. And without exception that I know of, they maintain them in this order. This, indeed, is the natural order; the order of their appearance. The world, so far as political economy takes cognizance of it, began with land. Reason tells us that land, with all its powers and potentialities, including even all vegetable and animal life, existed before man was. But whether still “formless and void,” or already instinct with the lower forms of life, so long as there was in the world only the economic element land, production in the economic sense could not be, and there was no wealth. When man appeared, and the economic element labor was united to the economic element land, production began, and its product, wealth, resulted. At length (for in the myths and poems in which mankind have expressed all the wisest could tell of our far beginnings, they have always loved to picture a golden age devoid of care), the greater power that could be gained by using wealth in aid of labor was seen, and a third factor of production, capital, appeared.

But between this third factor and the two factors which preceded it, a difference in nature and importance is to be noted. Land and labor are original and necessary factors. They cannot be resolved into each other, and they are indispensable to production, being necessary to production in all its modes. But capital is not an original factor. It is a compound or derivative factor, resulting from the union of the two original factors, land and labor. It is not indispensable to production, being necessary, as before explained, not in all modes of production, but only in some modes. Nevertheless, the part that it bears in production is so separable, and the convenience that is served by distinguishing it from the original factors is so great, that it has been properly recognized by the

earliest and by all subsequent writers in political economy as a separate factor; and the three elements by whose union wealth is produced in the civilized state are given by the names and in the order of 1) land, 2) labor, and 3) capital.

It may seem to the reader superfluous that I should lay such stress upon the order of the three factors of production, for it is not more self-evident that the mother must precede the child than that land must precede labor, and that labor must precede capital. But I dwell upon this question of order because it is the key to confusions which have brought the teaching of the science of political economy to absurdity and stultification. Indeed, those writers who have condescended to define their terms have recognized, in these definitions, the natural order of the three factors of production. But whoever will follow them will see that without seeming conscious of it themselves they soon slip into a reversal of this order, and, literally making the last first, proceed to assume that capital is the prime factor in production. Socialism, which gives such undue prominence to capital and yet is so completely at sea as to the real nature and functions of capital, has the root of its absurdities in the teachings of the scholastic economists.

But the results of this confusion as to the nature and order of the factors of production will be more fully treated when we come to consider the distribution of wealth. All that it is necessary to do here is to point out the true order of the factors of production and to make clear what they are. Let us proceed to consider them one by one.

LAND

Man produces by drawing from nature. Land, in political economy, is the term for that from which he draws — for that which must exist before he himself can exist. In other words, the term land in political economy means the natural or passive element in

production, and includes the whole external world accessible to man, with all its powers and qualities, except those portions of it which are for a time included in man's body or in his products, and which therefore temporarily belong to the categories of man and wealth, passing again in their re-absorption by nature into the category of land.

The original and ordinary meaning of the word, land, is that of dry superficies all the earth as distinguished from water or air. But man, as distinguished from the denizens of the water or the air, is primarily a land animal. The dry surface of the earth is his habitat, from which alone he can venture upon or make use of any other element, or obtain access to any other material thing or potency. Thus, as a law term, land means not merely the dry superficies of the earth, but all that is above and all that may be below it, from zenith to nadir. For the same reasons the word land receives like extension of meaning when used as a term of political economy, and comprises all having material form that man has received or can receive from nature, that is to say, from God.

Thus the term "land" in political economy means the natural or passive factor, on which and by or through which labor produces, and can alone produce.

But that land is only a passive factor in production must be carefully kept in mind. It is a thing, not a person, and though the tendency to personification leads not merely in poetry but in common speech to the use of phrases which attribute sentiment and action to land, it is important to remember that when we speak of a smiling, a sullen, or an angry landscape, or of the Earth giving or the Earth receiving, or of nature tempting or forbidding, we are merely using figures of speech more forcibly or more gracefully to express our own feelings by reflection from inanimate objects. In the production of wealth land cannot act; it can only be acted upon.

Nor is this principle changed or avoided when we use the word land as expressive of the people who own land. Landowners, as landowners, take no part in production whatever. Land cannot know whether men regard it as property or not, nor does that fact in any degree affect its powers. Sand is sand and gold is gold, and the rain falls and the sun shines, as little affected by the moral considerations that men recognize as the telegraph-wire is affected by the meaning of the messages that pass through it, or as the rock is affected by the twitter of the birds that fly over it.

I speak of this because although their definition of land as a factor in production is precisely that which I have given, there is to be found in the accepted treatises on political economy a constant tendency to the assumption that landowners, through their ownership of land, contribute to production.

That the persons whom we call landowners may contribute their labor or their capital to production is of course true, but that they should contribute to production as landowners, by virtue of that ownership, is as ridiculously impossible as that the belief of a lunatic in his ownership of the moon should be the cause of her brilliancy.

LABOR

All human actions, or at least all conscious human actions, have their source in desire and their end and aim in the satisfaction of desire. Exertion is the intermediary action by which desire secures its aim in satisfaction. The economic term for this exertion is labor. It is the active, and from the human standpoint, the primary or initiative, factor in all production — that which being applied to land brings about all the changes conducive to the satisfaction of desire that it is possible for man to make in the material world.

In political economy there is no other term for this exertion than

labor. That is to say, the term labor includes all human exertion in the production of wealth, whatever its mode. In common parlance we often speak of brain labor and hand labor as though they were entirely distinct kinds of exertion, and labor is often spoken of as though it involved only muscular exertion. But in reality any form of labor, that is to say, any form of human exertion in the production of wealth requires the human brain as truly as the human hand, and would be impossible without the exercise of mental faculties on the part of the laborer.

As land is the natural or passive factor in all production, so labor is the human or active factor. As such, it is the initiatory factor. All production results from the action of labor on land, and hence it is truly said that labor is the producer of all wealth.

CAPITAL

The primary factors of production are labor and land, and from their union all production comes. Their concrete product is wealth, which is land modified by labor so as to fit or better fit it for the satisfaction of human desires. What is usually distinguished as the third factor of production, capital, is, as we have seen, a form or use of wealth.

Capital, which is not in itself a distinguishable element, but which, it must always be kept in mind, consists of wealth applied to the aid of labor in further production, is not a primary factor. There can be production without it, and there must have been production without it, or it could not in the first place have appeared. It is a secondary and compound factor, coming after and resulting from the union of labor and land in the production of wealth. It is in essence labor raised by a second union with land to a third or higher power. But it is to civilized life so necessary and important as to be rightfully accorded in political economy the place of a third factor in

production. Without the use of capital man could raise himself but little above the level of the animals.

It is to be observed that capital of itself can do nothing. It is always a subsidiary, never an initiatory factor. The initiatory factor is always labor. That is to say, in the production of wealth labor always uses capital, is never used by capital. This is not merely literally true, when by the term capital we mean the thing capital, it is also true when we personify the term and mean by it not the thing capital, but the owners of capital. The capitalist pure and simple, the man who merely controls capital, has in his hands the power of assisting labor to produce. But purely as capitalist he cannot exercise that power. It can be exercised only by labor. To utilize it he must himself exercise at least some of the functions of labor, or he must put his capital, on some terms, at the use of those who do.

I speak of this because it is the habit, not only of common speech but of many writers on political economy, to speak as though capital were the initiatory factor in production, and as if capital or capitalists employed labor; whereas in fact, no matter what the form of the arrangement for the use of capital, it is always labor that starts production and is aided by capital; never capital that starts production and is aided by labor.

It cannot be too clearly kept in mind that labor is the only producer either of wealth or of capital. Appropriation can produce nothing. Its sole power is that of affecting distribution under penalty of preventing production. This may put wealth or capital in the hands of the appropriator, by taking it from others; but can never bring it into existence.