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## CAPITAL AT WORK

*To find an utterly uncivilized people we must find a people among whom there is no exchange or trade.—Henry George, The Science of Political Economy*

IN A VERY SIMPLE society such as we might find in a new country where the population lives in small scattered groups, there is little or no capital. Miss Consumer might pick as much fruit as she likes from a wild-orange tree growing nearby and pay no one for it, since no one owns it: The oranges belong to nobody because nobody produced them. Like the shellfish, nuts, berries, animals, wild birds and their eggs, the wild-orange trees were created by nature. The Poleco-ist would describe Miss Consumer's helping herself by saying, "She



added her *labor* (energy spent in picking) to *land* (wild oranges), and as might be expected whenever labor and land are combined, wealth resulted—in this instance, wealth in the form of food."

Time passed, and Miss Consumer was wooed by and wed to Mr. Fisher, a fisherman. Like most of the men in the community, Mr. Fisher wasn't satisfied to live on the things he produced. He was tired of eating fish, fish, fish. He wanted other foods. And he wanted clothes for himself and for his bride. That is why he had spent so much of his spare time inventing and making fishhooks and nets. For with them—forms of capital—he was able to catch more fish than he needed for food. However, not only his fishhooks and nets were his capital, but all the fish he caught, above those he needed for his family, were his capital as well. In fact, his surplus fish, as we shall see, were his more important capital. For they enabled him to produce not fish alone, but anything for which he could exchange his fish.

There were many things for which he could swap his extra fish. For the other men of the community had become capitalists, too, and as such, produced more than they required for their own needs. For example, Mr. Weaver had made a loom in his spare time and used it to weave cloth and mats for anyone who could afford to buy them. Mr. Hunter had made traps and Mr. Archer had made bows and arrows.

Mr. Grower had planted and cared for an orange grove. Over a period of years he had managed to develop bigger, sweeter, and juicier oranges—the finest oranges to be had anywhere, and certainly far tastier than those that grew wild. The wild-orange trees that had been land were no longer so. For Mr. Grower had added his labor to them to produce better, more, and sweeter oranges, which made his orange grove *-wealth—his -wealth*. Mrs. Fisher realized she had no more right to the fruits of Mr. Grower's labor than he had to help himself to the fish her husband caught. But that didn't bother Mrs. Fisher. She could still help herself to the tiny, sour wild oranges that grew outside of town without paying for them. But, being human, she pre-

ferred Mr. Grower's sweeter, juicier ones and willingly gave one of the extra fish her husband caught for a dozen oranges that Mr. Grower could easily spare from his trees. Using his wealth, his oranges, in exchange enabled Mr. Grower to "produce" fish without going near the water. We might say he caught fish by chasing bugs off his orange trees. Mr. Fisher, on the other hand, produced oranges for his family by throwing his fishnets into the river. To put it another way, Mr. Fisher's capital—his surplus fish—produced, in effect, anything in the community for which



his fish could be exchanged. When wealth is exchanged in this way, the Poleco-ist says it is being used as capital to produce *other* wealth.

The community grew and spread out to cover a wider area. About ten miles from Mr. Grower's orange grove a certain Mr. Baker was winning great fame. His reputation as a baker of fragrant bread and delectable fruit pies had spread until one day Mr. Grower heard of it. Mrs. Grower, it seems, was a fine wife and mother, but she was also the worst baker imaginable. So it is easy to understand why Mr. Grower longed desperately for Mr. Baker's breads and pies. But a journey to and from Mr. Baker's

place twenty miles away was more than Mr. Grower was willing to pay for even the most heavenly pie.

Eventually, however, prodded by his insatiable longing, he hit upon an idea. He offered Mr. Mover, a neighbor who owned a horse and wagon, twenty-four oranges if he would bring a Baker pie back to him. Mr. Mover agreed, since Mrs. Fisher, Mr. Weaver, and Mr. Archer had offered him similar propositions. He could readily see how fine a living he would make by doing little more than ride through the beautiful countryside to and from Mr. Baker's shop. Thus, Mr. Mover became a capitalist, too, his capital consisting of a wild horse which he had caught and had "broken" to harness, and a wagon he had made in his spare time. Now, with the aid of his capital, he was taking part in the production of everything he transported: oranges, fish, cloth, fishhooks, etc.

Before long, Mr. Baker found himself with a surplus of oranges, fish, and the other things he had accepted in exchange for his breads and pies. To get rid of them before they spoiled, he had to become a merchant, operating a general store. As a result, Mr. Grower's oranges were being sold by Mr. Baker to people ten miles away from the nearest orange tree. Mr. Baker's customers were delighted! Now they could buy all sorts of things right in their own neighborhood, things for which, formerly, they had been compelled to travel ten long miles.\*

One day Mr. Grower received a message from Mr. Seller, a merchant in another community several hundred miles away. "Dear Mr. Grower," it said; "Folks up here have never seen nor tasted an orange. But they've heard a lot about them, and being human, they're pestering me night and day to get some in stock. Can you send some oranges up to me at once on Mr. Mover's wagon? Yours truly, A. Seller (Prop.).

\* Naturally, the idea of money and a banking system had to be developed at this stage, and it was. But since the subject of money requires far more space than can be spared in this chapter and is, moreover, a factor in finance rather than political economy, let's simply say that a money system developed. But since money merely represents claims to goods, let's continue to speak in terms of goods rather than money, and thus avoid confusion.

Mr. Grower knew his oranges. He knew that they'd rot before they reached Mr. Seller, whose store was so far away. (Refrigerated trucks hadn't been invented yet.) He knew, also, that his grove had grown so large he had far more oranges than he could sell in his own neighborhood. During the last few seasons, thousands of unsold oranges had rotted on the trees. What to do?

It so happened that a neighbor by the name of Factor, the pot-and-jar maker of the community, heard about Mr. Grower's problem. As he saw it, he could buy oranges from Mr. Grower at a very low price because the supply was so large. And he knew that he could get a high price from Mr. Seller because folks in his part of the country, never having tasted oranges, desired them desperately. He knew he could make a very good living if he could only figure out some way to preserve the oranges long enough to reach Mr. Seller's counters. As is usual when a human sees a profit—in other words, a chance to earn enough to satisfy more desires with less effort—the answer quickly developed itself in Mr. Factor's brain. Then he got to work.

First he took some of his fire-hardened clay jars. Next, he carefully packed each with oranges that had been thoroughly washed and sterilized in hot water. On top of the oranges he poured boiling sugar syrup until the jars were full; and finally he made an air-tight seal by pouring melted beeswax over the mouth of the jar. As a result of Mr. Factor's new preserving method, Mr. Seller's customers several hundred miles away were soon buying oranges as fast as Mr. Mover could carry preserved oranges to Mr. Seller's store. Now, in addition to keeping his own community supplied with pots and jars, Mr. Factor was employing additional capital—oranges, sugar, and beeswax—to become a manufacturer and "canner" of Factor's Famous Preserved Oranges, known to every housewife within the range of Mr. Mover's wagons. (Mr. Mover, of course, had to add more capital, too—horses and wagons—to handle the extra business.)

So we see that by employing more capital, Mr. Factor does more than increase the earning power of his own labor and

capital. He had also added to the earning power of Mr. Grower's labor and capital. (Mr. Grower now sells *all* the oranges he can grow and none goes to waste.) What's more, he gave Mr. Mover an opportunity to employ more capital (more horses and wagons), he added to the productive power of Mr. Seller's capital (his store and fixtures and stock) and, most important, he made it possible for consumers who had never tasted oranges before to have them in spite of the hundreds of rough miles that separated their town from the nearest orange tree. In certain respects, there is no difference between Mr. Grower



selling direct to Mrs. Fisher, nee Consumer, and his selling indirectly with the help of Factor, Mover, and Seller, to people hundreds of miles away. In both instances, production begins when Mr. Grower cultivates his orange trees, and ends when a consumer finally gets the orange into her hands.

At the same time, there's a big difference in the number of people producing oranges. In the beginning only Mr. Grower produced them. Later Mr. Grower, Mr. Factor, Mr. Mover, and Mr. Seller combined their efforts to produce oranges for Mrs. Fisher (nee Consumer). Moreover, as the oranges changed hands more often, the amount and variety of wealth increased for all concerned, while the effort required to earn an orange lessened

considerably. (It wasn't necessary to travel many miles for an orange as the use of capital increased.)

In spite of our example, communists and socialists won't agree that capital and capitalists make a community prosperous. To the Marxists' way of thinking, capital consists of labor-saving devices that put men out of work, since they do away with the need for labor. And yet, in our orange-growing example, we found that more people worked, earned wages, and lived better every time additional capital was put to use.

The Marxists will complain that many millions of people in capitalistic countries live in want and often don't have even the bare necessities of life. To support their argument, they'll quote the late Franklin D. Roosevelt, who said, "One-third of our population, the overwhelming majority of which is in agriculture or industry, is ill-nourished, ill-clad, and ill-housed." And that proves, they will tell us, that capitalism always means poverty for the masses in even the world's wealthiest capitalistic nations. And if we look about us, and read our newspapers, we do indeed find a great deal of poverty among the masses.

The Marxists might argue further that in our example we deliberately left out the "masses"; but that wouldn't be exactly true. For Messrs. Grower, Factor, Mover, Seller, and Fisher were all laborers and were certainly, therefore, of the "masses." But they were also users of capital—and therefore capitalists! Thus they were capitalists and of the "masses" at the same time. "Impossible!" the Marxists will shout. Not at all, the Poleco-ist will reply. For, as we shall see, it is possible *in a really free economy* for the masses to be capitalists; and for capitalists to be of the "masses."

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### LABOR EMPLOYS CAPITAL AND EXPLOITS IT

*Labor in this country is independent and proud. It has not to ask the patronage of capital, but capital solicits the aid of labor.*

—Daniel Webster

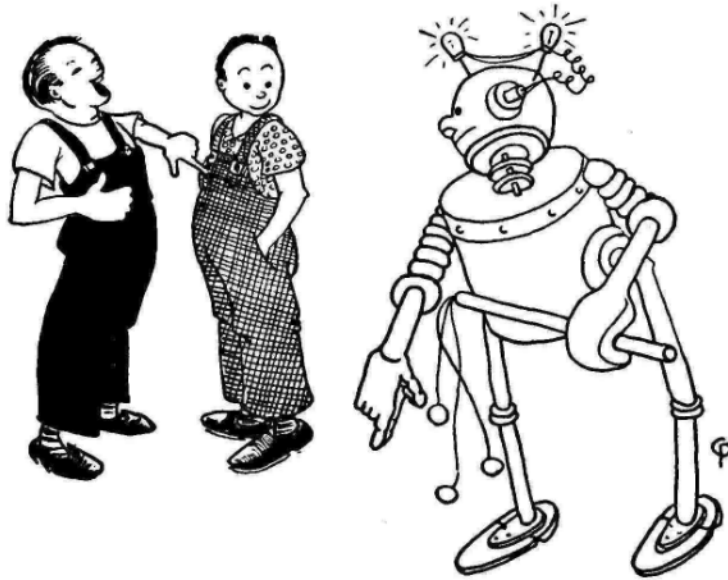
WE HAVE GROWN accustomed to hearing the communists and socialists scream passionately, "Capital exploits labor!" Around election time, Republicans and Democrats thunder speeches containing things like "New capital must be provided to give jobs to labor." Very little thought is required to prove that both statements are equally stupid. As we have seen, the farmer's livestock, seed, tractors, and other equipment are his capital; but his cows can't milk nor butcher themselves, his sheep can't shear their own wool, his tractors and smaller farm equipment can't operate themselves, and his barns can't gather in the crop at harvest time. Even the most modern automatic machinery in the most highly modernized factory can't run itself, repair its broken parts, nor keep itself clean and oiled. Equally helpless is the merchant's capital until refrigerators, frankfurters, and eyebrow tweezers learn to offer themselves for sale, move themselves from the factory to retailer to consumer, or exchange themselves for any of the many other forms of capital. An actual demonstration of the uselessness of capital without labor was reported by Wakefield in his *England and America*:

The first Spanish settlers in Saint Domingo did not obtain laborers from Spain. But without laborers, their capital (seeds, implements, and cattle) must have perished, or at least must have soon diminished



to that small amount which each individual could employ with his own hands. This has actually occurred in the last Colony founded by Englishmen—the Swan River Settlement. . . .

Certainly, if capital cannot employ itself it cannot employ labor; for employ means *to make use of; to use*, and not *to give a job to*. Only man can employ labor; his own or that of another. A moment's thought is all that's needed to see plainly that all of the factories, machinery, and tools in the world combined cannot provide or deny a job for labor. This became especially



evident during the last depression, when thousands of factories, completely machined, were as idle as the millions of unemployed laborers.

Labor, and only labor, employs capital! Labor must use it, keep it going, change its form or location, put it into exchange, or in some other way employ it, if capital is not to become absolutely useless. Equally important, labor has to produce the capital in the first place. Capitalists, then, may hire laborers; but capital, if we understand the meaning of *employ*, cannot possibly employ labor. We dare not forget, if we are to escape confusion, that capital, with the exception of animals and plant

life cultivated by man, is a lifeless thing, just so much junk until it is put to work, employed, by labor. Being lifeless, it can't rob, enslave, drive, or exploit laborers; it can only help labor produce more wealth with less effort.

And so we see it is labor that provides work for capital. It is labor, human energy, that exploits\* capital. And the only reward capital receives for its help is an occasional squirt of oil for its gears or bearings or, if the capital happens to be a farm, a few shovelfuls of manure or other fertilizer.

Now that we understand the natures of the things that combine to produce the stockpile of wealth, let's go on to see how the stockpile divides itself among the world's people.

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### THE MEANING OF DISTRIBUTION

*The whole annual produce of the land and labour of every country . . . naturally divides itself . . . into three parts.—Adam Smith, The Wealth of Nations*

Now, IT is generally agreed—even among most socialists, communists, and conservatives—that there is something wrong in the way wealth is distributed. But the very suggestion that wealth *can* be distributed indicates that not everyone who discusses *distribution* really understands the meaning of the term. For the fact is, as we shall see, wealth cannot be distributed equitably any more than the sun can be made to shine brightly. *Wealth distributes itself*, and no power in heaven or on earth, including that of politicians and statesmen, can stop it.

To begin with, the word *distribution*, as used by the Poleco-

\* exploit: To get the value out of. (*Webster's Collegiate Dictionary*.)

ist, has nothing to do with shipping wealth by mule, camel, train, truck, boat, or plane. Shipping or moving wealth is *transportation*, not *distribution*. The word *distribution* has nothing to do with the socialist's idea of government gathering up all of the nation's wealth as fast as it's produced and then doling it out to the citizens "according to their needs." The Poleco-ist uses the word *slavery* to express that idea. For it should be apparent that our southern plantation owner, before the Civil War, distributed wealth by the method the socialists propose. He was the government, so far as his slaves were concerned. What the slaves produced, he gathered in. To each slave, the owner gave food, clothing, shelter, medical attention, and education *according to what the plantation owner* decided were the slave's needs.

Since three factors—*land*, *labor*, and *capital*—produce the stockpile, logic insists that the stockpile consists of some wealth that is *rent*, some wealth that is *wages*, and some wealth that is *interest*. It is the stockpile's *dividing itself* into rent, wages, and interest, and then (thieves and swindlers permitting) *distributing itself* among the owners of the land, labor, and capital used, that the Poleco-ist has in mind when he uses the word *distribution*.

What *distribution* is, and what it isn't, can best be illustrated with the story about Tom, Dick, and Harry of Saucerville, U.S.A. The Saucerville China Works is the only chinaware factory in operation in Saucerville as our story opens. However, an idle though fully equipped chinaware factory stands on an adjoining piece of land. The ground upon which both factories are built is rich in clay deposits.

The idle factory had been shut down since the day its owner died, leaving his property to two young nephews who knew nothing about the chinaware business. One, an accountant named Dick, inherited the factory and equipment; and the other, a doctor named Harry, inherited the land upon which the factory stood. Each had been offered ten thousand dollars in cash for his property by the owners of the Saucerville China Works,

but both had refused to sell. If the property were worth twenty thousand to the Saucerville China Works, they figured, it should be worth at least as much to them if, together, they reopened the plant and produced chinaware.

But since neither young man knew anything at all about making chinaware, they set out to find the best all-around china-maker in town. Their search ended when they heard about a lad named Tom who was then working as foreman in the Saucerville China Works. Dick and Harry lost no time in getting in touch with Tom to offer him an interest in their chinaware business. Tom's job as foreman for the Saucerville works was paying him five thousand dollars a year. He reasoned that since he was able to earn five thousand working for someone else, he should certainly be able to earn at least as much, or more, working for himself. So he accepted. The three men shook hands on it. And thus the partnership known as Tom, Dick & Harry Co., Makers of Fine Chinaware was born. Tom was to give his labor, skill, and talent, and nothing more; Dick was to contribute his factory, materials, and equipment; and as his contribution, Harry was to give the use of his land and all the clay in it. And, like all partners, they were to share whatever profits the company made.

Tom really worked hard; harder than he had ever worked before. He designed the cups and dishes, made them, packed them, and even did the selling, shipping, bookkeeping, and purchasing. At the end of the first year the three partners met in Saucerville to count up their profits and found that after the original capital was replaced and general overhead expenses were met, their one-year-old company showed a neat profit of exactly five thousand dollars.

"That's not bad," said Harry, putting an arm around each of his partners. "Not bad at all, considering this is our first year."

Dick, the capitalist, agreed. "Not bad? I think we did very well. Five thousand dollars! Divided by three, each of us gets \$1,666.66."

That didn't sound right to Tom. "Do you mean I'm to get

less than two thousand bucks for a whole year's work? It's all right for you fellows. You made yourselves a living by accounting and doctoring, and this money is just something extra for you. But I'm the guy who actually made this profit we're sharing. I'm the guy who did *all* the work. No sir! I was earning five thousand before I came here—doing the same kind of work—only I didn't used to work so hard. I'm not going to take a penny less than five thousand bucks. That's just wages—my regular wages."

"But if you take five thousand, Tom, there's nothing left for Harry and me. We were supposed to share in the profits; but you're not leaving anything for us to share."

"I'm sorry, fellows. I worked my head off. You know that. Long hours, sometimes seven days a week. I pinched pennies and did everything I could to show as big a profit as I could. It's not my fault if there's only five thousand to share. And after all, you aren't losing anything. You didn't actually do any work to produce the five thousand."

"But my capital," Dick argued, "my capital did something. You couldn't have made dishes without it. If I had sold my factory and equipment for ten thousand dollars to the Saucerville people when they offered to buy, I could have invested the money. And at five percent, I'd have gotten five hundred dollars a year. It seems to me that if my capital can earn five hundred with strangers, it should have earned five hundred dollars in a business that I own a part of. And five hundred is what I want out of the profits. That's just fair interest!"

"And don't forget," Harry chimed in, "you can't make dishes without clay. And you used my clay from my land to make the dishes we sold. And you rested the factory on my land, too. You know very well I could have rented out my land for five hundred dollars a year. That's why Saucerville offered ten thousand to buy the land. It seems to me that I should get at least as much—five hundred dollars—out of the chinaware that was made out of my clay and on my land."

But Tom argued that if each of his partners took five hundred

dollars there'd be only four thousand left for him; one thousand dollars less than he could have earned working half as hard for the Saucerville China Works. That would be just like cutting his salary; like punishing him for working too conscientiously. Certainly Tom has a right to his full wages, which he says should be equal to what the same labor would earn elsewhere. But his partners seem to have an equally just claim to at least as much as their property, invested elsewhere, could earn for them. Unfortunately, since there is only five thousand to share, they cannot all be satisfied. What's to be done? How is the



wealth to be distributed in such a way that neither Tom, Dick, nor Harry is cheated?

The socialists would say, "Dick and Harry are capitalists—therefore thieves—so let's not worry about them. Give the five grand to Tom. He's labor. And everyone knows labor is always being taken advantage of, exploited, subjugated."

The Republicans might say, "Poor management. Besides, the Tom, Dick & Harry Company, being an infant industry, ought to be protected with a higher tariff. Can't compete with cheap foreign goods. And besides, Tom's high wages makes the cost of chinaware too high; the company would be better off cutting

down their overhead by merging with the Saucerville China Works/

The Democrats, on the other hand, would call in some carefully selected economists who would draw lines in many pretty colors on graph paper, design a few probability curves, and as a result of this scholarly research announce: "The law of Diminishing Returns has set in. It's the old story of Supply and Demand. The price of chinaware is too low. The profits of the company must be increased to six thousand instead of five. Then there'll be enough to share—five thousand to Tom as wages, five hundred to Dick as interest on his capital, and five hundred as rent to Harry. How to raise prices? Easy! Have the government pay a subsidy of one thousand dollars of the taxpayers' money to the Tom, Dick & Harry Company, but only if Tom will destroy his china after he makes it. That will cause a shortage in chinaware, and as we know, prices go up when goods are scarce. We Democrats know, because we tried to raise prices by destroying pigs and plowing crops under during the '30's. We'd have succeeded if it weren't for the Republicans, or something."

The communists would solve the matter more efficiently. They'd have the government take the whole five thousand and give Tom as much food, clothing, and shelter as they thought necessary to keep him alive long enough to produce more china. And if those lousy capitalists Dick and Harry dared open their mouths to complain, the government would yank out their tongues, wrap them around their necks, and strangle them to death. Since the communist government would own the factory and the land, it would also own the wages, interest, and rent being claimed by Tom, Dick, and Harry. The expense of collecting them, in taxes, plus the cost of pulling out the tongues of Dick and Harry, would have to be borne by society as a whole.

Of course, just as chopping off a head is a method for curing a headache, so all of the above suggestions are methods of distributing wealth. But what the Poleco-ist seeks is a way that is

fair to all; a way that does not depend on force or threats of punishment, or on taking from one to give to another.

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### WHY TOM, DICK, AND HARRY CAN'T AGREE

*Therefore doth Job open his mouth in vain; he multiplieth words without knowledge.*

-Job 35:15

TOM, DICK, AND HARRY can get

nowhere by arguing. They have only five thousand dollars to divide, but among the three they have claims totaling six thousand. Until some genius discovers a way to subtract six from five, Tom, Dick, and Harry cannot possibly distribute their wealth. Until they realize that what they call wages, interest, and rent aren't wages, interest, and rent at all, they can't even hope to come to an agreement.

Like wealth, discussed earlier, wages, interest, and rent are abstract ideas. Ideas, of course, cannot be seen, heard, felt, smelled, or tasted. So, we can know of them only through our reason. If Tom, Dick, and Harry would depend upon their reason instead of what their ears hear and their eyes read, they would soon see that their arguments have been about nothing, that their conclusions—based upon false premises—are absurd.

For example, Harry says he's entitled to five hundred dollars as his share in the profits because the chinaware was made on land that he could have rented to the Saucerville Company for that amount of money. However, if we should pretend that the profits over which the boys are squabbling were fifty thousand instead of five thousand, we may be sure Harry would not be satisfied with a measly five hundred dollars in rent. He'd certainly expect a full one-third as his share: \$16,666.66. For it



seems that while humans will not accept *less* than their labor or investment will bring them elsewhere, they have no objection to accepting more.

Abe Lincoln once asked a friend: "If we call a dog's tail a leg, how many legs will the dog have?"

His friend answered, "Five, of course."

"Not at all," said Abe. "Only four! Calling a tail a leg doesn't make it one."

Similarly, Harry cannot make the five hundred he demands *rent*, by simply calling it rent. It is more accurately *contract*



*rent*. That is, Harry as owner of the land agrees to allow it to be used by anyone willing to pay him five hundred dollars, whether the user makes a million dollars on his land or goes broke on it. If Harry had made such an agreement with Tom and Dick when they formed their partnership, he would have had a legal right to demand five hundred dollars. But under that agreement he would still be entitled to no more than five hundred dollars, even if the profits had been ten or a hundred times as much. That, in essence, is *contract rent*. But the word *rent*, as it is used when speaking of *distribution of wealth*, refers to *economic rent*, which is an entirely different idea. But before we analyze

*economic rent* for Harry's benefit, let's examine Dick's argument.

Dick is using the word *interest* carelessly. In the language of the newspapers and radio, interest might be almost any return for the use of anything; especially for the use of money. In the economic sense, however, interest is that increase in the stockpile of wealth (not money) which results from the use of capital. Dick is asking for payment for the *use* of his capital—his goods. But taking pay for the use of money or goods is more accurately called *usury*. For, according to *Webster's Collegiate Dictionary*, *usury* means "A premium paid for a loan of money or goods." Dick's demand for five hundred dollars, then, is not a demand for interest, but for usury, a premium paid for the loan of his goods.

And when Tom claims the whole five thousand dollars as wages, he is thinking of *contract wages*, not *economic wages*. When he worked for Saucerville, he was paid for his time, his knowledge, and his ability. But the payment for such things is not properly wages in the *economic* sense. His pay remained one hundred dollars a week, whether the company made a fortune or took a loss. In other words, his "wages" had little to do with the amount of chinaware produced through his efforts and direction. Such is the nature of *contract wages*. But *economic wages* is quite another thing. It is only that part of wealth—chinaware in Tom's case—that results from the use of human energy (labor). Where no wealth is produced there can be no wages; as more human energy is put to work productively, more wealth is produced and, accordingly, more wages; where less labor produces less wealth, wages must be fewer. For *wages is a part of the actual wealth produced*.

Another weakness in Tom's argument is his belief that as his own boss he is doing the same work he did when he worked for Saucerville. He goes on to argue that since that is true he should earn at least as much with Dick and Harry as he did before he joined them. The truth is that Tom isn't doing the same work. At Saucerville, he acted as foreman and directed the energies of dozens of less valuable hands working under him.

The average wage of those who carry "flour," mix clay, shape, bake, decorate, pack and ship chinaware is much less than the hundred a week that Foreman Tom earned. The average wage of the factory hands would be nearer fifty dollars a week. When Tom went to work for himself, he no longer did the work of a foreman; because he had no one working under him. He did everything himself. At no particular time was he doing a kind of work more valuable than the most efficient worker he had had working under him at the Saucerville Works. And so, if he is going to figure out what his salary should be according to what the same work would have brought him when working for Saucerville, his salary should be the average pay of the clay mixers, shapers, bakers, decorators, packers, and shipping clerks; or about fifty dollars a week. For that is the work he does as one-third owner of his own business. As foreman, he was one orderly brain with dozens of hands; but as his own boss, doing all the various jobs himself, he had only two hands to carry out the direction of a brain overloaded with unimportant details. Fewer hands means less labor; less labor (unless assisted with capital in the form of energy-saving machinery) means less production; and less production means less wages.

One other weakness in Tom's arguments is his claim to more wages because he is working harder for Dick and Harry than he did for Saucerville. Wages do not result from hard work, or from long hours of hard work, so much as they do from efficiency of labor. A carpenter's helper generally works much harder than his experienced boss; and for less money. But the more experienced boss-carpenter is able to produce more goods (wealth) in less time and with less effort. Some people do not work at all, and starve; other people don't work any harder, yet receive enormous incomes. Thus it becomes clear that hard work has little to do with earning wages.

But one of the most important errors in the thinking of all three—Tom, Dick, and Harry—is their belief that the five thousand dollars that is giving them so much trouble is, in fact, profits. As Dick, the accountant, should have known, profits

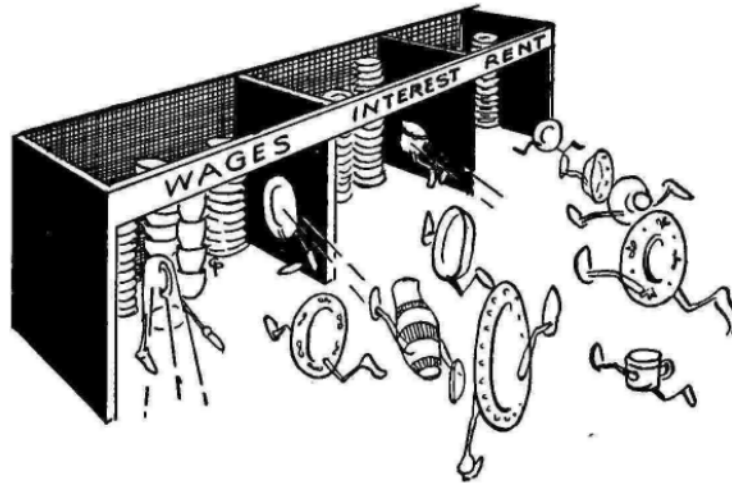
are what is left *after* full wages, rent, and interest are paid. Tom should have received one hundred dollars a week (contract wages) from the start, because he obviously wouldn't have accepted less than he could have earned elsewhere; Dick should have been paid his five hundred dollars (contract interest) and Harry his contract rent *before* they even began to discuss dividing profits. And that would have meant that their business had earned no profit but had actually operated at a one-thousand-dollar loss—not at all an unusual occurrence in business. In other words, the three partners are fighting over "profits" that don't exist.

But in spite of the fact that they operated at a loss, the boys did produce wealth in the form of chinaware. Theoretically, a certain number of the cups and saucers resulted from the labor used in making all of the chinaware. The Poleco-ist calls these, regardless of how many or few they may be, *economic wages*. A certain additional number were produced by the capital used, and those are *economic interest*, according to the Poleco-ist. A certain number resulted, let us say, from some *superior* quality in the land, and those dishes represent *economic rent*. It doesn't matter whether the laborer gets all of the wages, all of the dishes his labor produced; or whether some is lost or even stolen from him. No matter who ends up with them in his possession, a certain number of the dishes produced, or their equivalent in money, are nonetheless wages. Similarly, if Dick does or does not get all of the dishes that resulted from the use of his factory and equipment, that number of dishes is still *economic interest*. And if a racketeer should take from Harry the number of dishes produced that resulted from the superiority of Harry's land, that number of dishes is still *economic rent*. In other words, *economic rent* is part of the wealth produced by his land, and is not the amount of tribute Harry can collect from anyone who *needs* his land. *Economic interest* is that part of what has been produced that came into being as a result of Dick's capital, and is not a usurer's fee Dick charges for the use of his money or goods. *Economic wages*, likewise, is that part of the dishes

produced resulting entirely from the human energy employed to produce it, but is not a payment for a certain number of hours, days, or weeks of service.

Strictly speaking, then, wealth cannot be distributed; it distributes itself unaided and naturally. A factory of dishes produced divides *itself* into three groups: *economic rent*, *economic wages*, and *economic interest*: the *rent* resulting from the use of the superior land employed; the *wages* resulting from the productive labor employed, and the *interest* resulting from the capital employed. Adam Smith said it this way:

Wages, profit (interest) and rent, are the three original sources of all revenue as well as of all exchangeable value. All other revenue is ultimately derived from one or other of these.



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**38****THE LITTLE THREE MEN**

*"You are not like Cerberus, three gentlemen at once, are you?—R. B. Sheridan, The Rivals*

IT ISN'T any more helpful to know that the stockpile of wealth is made up entirely of wages, interest, and rent than it is to know that a bank vault is chock-full of pennies, dimes, and dollars. If we are to arrange to have wealth distribute itself properly, we shall have to find out not only what proportion of wages, interest, and rent is in the pile but also to whom each share belongs. After we learn that, we shall have to find some way of making sure that everyone gets all that's rightfully his; and finally, if we find someone is being cheated, we shall have to discover who is doing the cheating. Before we can continue on our road to discovering what parts of the stockpile are rightfully whose, it will be necessary to make a slight detour. For it is clear that we can't discuss wages without first knowing something about the laborer who produces and earns them. We discussed *labor* earlier and found it to be invisible though powerful human energy; but a *laborer*, unlike *labor*, is a man. Similarly, we shall have to analyze the capitalist, too, if we are to decide who has a right to the *interest* part of the stockpile of wealth. And since we shall have to be able to recognize a landowner when we see one, if we are to give him no more nor less than the rent in our stockpile due him, we shall have to study him a bit more carefully, too. And that is where the three little men, Mr. Laborer, Mr. Capitalist, and Mr. Landowner, come back into our story. On page 99, it will be recalled, we saw all three gaily tossing their wealth around.

The little fellow in our drawing isn't, as we might suppose, a laborer helping himself to his wages. Rather, he represents all the productive laborers in the world stuffed into one body, helping himself to every bit of wages found in the stockpile of wealth. Similarly, the second of the little fellows is all of the capitalists in the world stuffed into one body, and the third is all of the world's landowners stuffed into a single body. Imagining our three little men in that way may be difficult, especially for those who can't escape the fact that it is impossible to stuff millions of bodies into one. But it shouldn't prove to be too hard, since everyone imagines things like that every day. For example, when we think of the United States, we don't think of all the hills, valleys, factories, farms, New Englanders, Texans, blacks, whites, baseball teams, frankfurter stands, men, women, and every other thing found within the nation's border. We think of all the things that make up the United States together. We stuff all of them into one long-legged, chin-whiskered, star-spangled old gentleman and we call him Uncle Sam. And when we think of Uncle Sam, we're thinking of all of the little things that make up our country stuffed into his make-believe body. If we can do that, we should be able to imagine all the men who labor productively stuffed into the body of the little man in our drawing. Just as Uncle Sam isn't a real person, neither is our Mr. Laborer; but just as the *idea* of Uncle Sam is real, so is the *idea* of Mr. Laborer. And of course the same is true of Mr. Capitalist's body, stuffed full of all those who use capital to produce wealth, and Mr. Landowner's body stuffed with all who own land.

It is no accident that the three little men look as alike as triplets. They are closely related. For, as we know from our daily experience, the same man might be both laborer and capitalist, that is, he may own his own capital and operate it with some or all of his own labor. A farmer, a merchant, or a manufacturer would be typical. Sometimes we find the same person—a gas-station owner, for example—not only owning his own capital (his service station, pumps, etc.) and owning his own labor as

a self-employed grease monkey, but owning the land upon which his service station rests, too. He then is, at one time, a capitalist, a laborer, and a landowner. He must, therefore, be imagined split into two or three parts; and then, that part of him that is a laborer must be imagined stuffed into Mr. Laborer's body, and what's left of him split in two, one half to be stuffed into Mr. Capitalist's body and the remainder into Mr. Landowner's body. Consequently, each of the three little men, stuffed as they are with slices from the same bodies, are



essentially very much alike—and that's why they so closely resemble each other.

It all sounds a little crazy until we get used to the idea. It's so different from our usual way of thinking of a *laborer* as any man wearing overalls; of a *capitalist* as a drooping-jowled, top-hatted fatty bull-whipping his workers into his factory, and of a *landowner* as the old meany who comes around every month to give us a receipt for the rent we pay him. Once we get used to it, however, we shall find the stuffed body way of thinking less insane than the thinking we have learned from the cartoonist.