

ECONOMIC PRINCIPLES.

CHAPTER I.

DEFINITION OF TERMS

§ 1. **POLITICAL ECONOMY** is the Science of Wealth.

Its scope would be more clearly defined by the name "Social Economy," for it deals with the social effects of the natural laws and legal enactments which govern the production of wealth and its division among those who assist in its production, who possess legal privileges enabling them to control this process, or who otherwise have acquired the right to a share in the product. The phenomena which it elucidates comprise all "the social processes arising out of the intellectual and emotional properties of men in their relation to the use of the earth and through which mutual aid in satisfying wants is made possible" (Spencer) as well as their modification through legal enactments.

Wealth does not comprise everything men want and desire, nor do the social processes alluded to comprise all those which arise from the intellectual and emotional properties of men. Political Economy, therefore, does not claim to deal with all social processes, but confines itself to the elucidation of such as are connected with wealth. It takes for its starting point the axiom that men will always seek to obtain the satisfaction of their desires with the least exertion. That is to say, if a hunter seeks the enjoyment of hunting, he will probably hunt the fleetest animal. When, however, he wants meat, he will, other things being equal, pursue the animal which is easiest to kill. If a

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man wants to produce, he will till the land which promises to give the greatest and not any lesser return to his labour; and if he wants ore, he will work the richest of such bodies of ore as are equally accessible to him.

§ 2. **PRODUCTION.**—Man cannot produce anything in the sense of creating it; he can only develop the utility which is latent in the matter which he finds on this earth. This he does by changing the place or form of matter, or by preventing such change.

The most elementary production consists in change of place, such as occurs in gathering wild fruit, in fishing, hunting, timber-getting, mining, transportation and exchange. Next comes change of form as in agriculture and manufactures. Last comes the prevention of change of form, such as takes place when ice is preserved from Winter to Summer, or when perishable produce is preserved

from decay by freezing or other methods. Political Economy, therefore, has to deal with three objects: (a) matter, (b) producer, (c) product. The first it has named "Land"; the second, "Labour"; the third, "Wealth."

The primary factors in the production of Wealth, therefore, are Labour and Land. Some parts of the product, however, called Capital, possess the capacity to increase the efficiency of labour, when used by the latter in the production of further wealth. Capital is, therefore, a third factor in production. But, as labour can produce wealth from land without capital, and as capital itself is the result of labour exercised upon land, capital is secondary to labour and land as a factor in the production of wealth.

It has frequently been assumed that production is an object in itself, or that its object is the accumulation of wealth. Both assumptions are erroneous and the source of further errors. The sole object of production is consumption. Accumulation

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itself has future consumption for its object. Men produce in order to consume; to assume that they consume in order to produce, as is frequently done, is a misconception of the natural process, and of the motive power of production.

§ 3. **LAND** comprises all matter none of the potential utility of which has been developed by labour: all matter as it proceeds from the hand of nature.

Whether it is contained in the ocean, in the atmosphere or in the soil; whether it is in the form of water, air, a bed of ore, a building plot or farm land, it is all comprised in the term "Land." Land comprises all the external opportunities for making wealth which nature has placed within the reach of mankind—*i.e.*, all the free gifts of nature.

§ 4. **LABOUR** comprises all human exertion, whether of brain or muscle, or both, applied directly or indirectly to the development of the potential utility of matter.

Whether the exertion is of the brain that plans and directs, or of the hand that executes, does not matter as long as the object of the exertion is to develop utility in matter. It is the object, not the character, of the exertion which determines its economic classification. Hence there is one form of exertion, generally called labour, which cannot be included in this term. It aims, equally with labour, at the satisfaction of human desires or wants, but differs from it inasmuch as it is not directed towards effecting or preventing any change in matter. The exertions of authors, lawyers, doctors, teachers, singers, actors, athletes, etc., whether undergone for gain or otherwise, belong to this class. They are comprised under the term of "Services."

§ 5. **WEALTH** comprises all matter the potential utility of which has been partly or fully developed by labour.

Whether it is iron ore brought to the pit's