

The value of land and of privileges, other legal rights and personal qualities, not being wealth, cannot be capital.

DEFINITION OF TERMS

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§ 7. CAPITAL AND ABSTINENCE. — It is frequently thought that capital is the result of Abstinence. This is a regrettable and serious error.

Wealth cannot be consumed before its production is completed, and under the co-operative system of production, arising from the division of labour, each producer devotes his entire labour to the production of a part of a commodity, or of one commodity, or at most of a few commodities. Of these, each produces more than he himself can consume, in the certain expectation that others are producing more of other commodities than they want to consume, and that he can obtain these latter in exchange for his own. Both production and exchange are, therefore, necessary precursors of consumption, and goods in process of production and exchange exist, not by reason of abstinence, but by reason of production carried on in co-operation. This part of capital, therefore, exists without abstinence on the part of anyone.

The same is true with regard to the remaining part of capital, *i.e.* secondary forms of wealth. These are produced for the purpose of being consumed in reproduction. They cannot be consumed directly; they are worse than useless unless they are consumed thus indirectly; and, like most other forms of wealth, would rapidly decay if unused.

The only way in which abstinence can be exercised for economic purposes, is by the exchange of existing goods for goods to be produced in the future, *i.e.* by loaning wealth. In that case, someone abstains from consuming existing goods in order to obtain the possession of goods in the future. Even in that case, however, someone else consumes these goods. If no one wanted to consume them in the present, no one would undertake to give for them the result of future labour. Even in this case, therefore, abstinence does not add to the sum total of existing capital. It merely transfers the possession of wealth or capital from one person to another, and creates legal rights over

The only way in which abstinence can be said to produce capital is, not by abstinence from consumption, but by abstaining from the production of a particular form of wealth in favour of another, *i.e.* producing some secondary form of wealth for the purpose of lending it, instead of producing some primary form of wealth for the consumption of the producer. (See § 46—Statics of Interest.)

The abstinence theory of capital arises from the false assumption that no secondary forms of wealth could be produced, unless a stock of primary forms of wealth, especially food, had previously been accumulated. If this assumption were true, it would not prove the truth of the theory, unless it were assumed that all food, clothing, etc., are capital. In that case the terms capital and wealth would cover each other, and one of them ought to be discarded. It is, however, not true. The production of all forms of wealth is a continuous process. Every day witnesses the completion of some food and of every kind of primary products, which the producers themselves cannot consume and which they want to exchange for other products, similarly completed, and which they want to consume. Therefore, the production of all forms of wealth, primary and secondary, proceeds simultaneously, and no storing up of any is desirable or necessary, except in so far as the exigencies of exchange require it.

(For detailed exposition of the nature, method, and result of "Abstinence," see Chapter VI. "Consumption.")

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future production, *i.e.* mere symbols of capital, or spurious capital.

In all other cases abstinence merely reduces the amount of existing capital by adding temporarily to the store of wealth which is not capital. For goods withdrawn from consumption manifestly cease to be capital by this very act, as, for instance, when accumulated as military stores for use in a possible war, or where a solitary settler lays in a stock of goods for future use.