

forms a secondary or minor motive. The motive from which such services are rendered does not, however, affect the result. In either case, if efficient, they satisfy some human want or desire, *i.e.* produce utilities. But as these utilities are not developed in matter, they are not wealth. If such services are rendered for gain, as in the case of

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the learned or other professions, the gain is not derived from any addition to the existing amount of wealth, but from a contribution levied upon such wealth. They are not, therefore, wages.

The reward for such services differs from wages in other respects as well. The rate of wages of the most efficient labourer cannot exceed the amount of wealth which his labour produces, and depends upon the rate of wages which ordinary labour receives. Except for short periods, it rises with the rise and falls with the fall in the ordinary rate of wages. The reward for the most efficient services, however, has no such natural limitation; as they produce no wealth, their reward cannot be limited as wages are. Services of exceptional efficiency, such as those of the most skilful singers, actors, lawyers and others, can command rewards which not infrequently are highest where the general reward for less efficient services of similar kind is lowest. The reason is that the competition for such services is unchecked by economic considerations, such as prevail in the competition even for the most efficient labourers.

§ 45. INTEREST is the share of Wealth which the owners of Capital can claim for permitting it to be used in the production of Wealth.

Capital cannot make any wealth by itself. It requires labour to use it and its use increases the wealth-producing power of labour. Capital not used by labour cannot earn interest, and interest is paid out of the additional productiveness which the use of capital confers upon labour during a limited period (see § 46). Insurance against risk, wages and replacement of capital by instalments are frequently included in the term interest, but are of a different nature and must be excluded. So must be the payment which spurious capital, *i.e.* the capitalised power of levying tribute from labour without assistance given to labour can demand. This power is always of the nature of monopolies, arising

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ing from some special privilege, either created by law, or existing without its express sanction. (See § 48.)

§ 46. THE STATICS OF INTEREST.— Labourers will not employ capital unless the use of capital is profitable to them.

Where labourers are free to use land, they can make their own capital. They will not compete with each other for the loan of capital unless the borrowing of capital is more profitable than the making of it; that is, unless interest amounts to less than the value of the additional wealth which the use of capital enables them to produce *during the period otherwise required for making this capital*. The additional productiveness given to labour during this limited period is, therefore, the highest interest which can be demanded by the owners of capital.

The owners of capital, on the other hand, are anxious to induce labourers to use their capital, in order to have the same replaced and to receive interest. The rate of interest, therefore, depends upon the preponderance of competition. Where the existing amount of capital is small, as compared with the demand for capital, interest may rise to the limit indicated. Where the existing amount of capital is large, as compared with the demand for it, interest must fall, and may, for a time, vanish altogether. Capital, however, is not a fixed quantity. On the contrary, it is constantly in a state of flux, being consumed and reproduced.

Unless capital can earn interest, labourers will not produce more capital in the secondary forms of wealth (see § 5 and 6) than they themselves want or can exchange for other forms of wealth which they want. Additional labour would be employed in the production of forms of wealth more enjoyable to them than those which can be used as such capital. The amount of capital which can be loaned would, therefore, decrease, and interest

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would arise again. Interest, therefore, cannot, for long, fall below the point which will induce sufficient capital to be made in the secondary forms of wealth to satisfy the demands of labourers who want to borrow such capital. Interest, therefore, has natural limits, beyond which it cannot for any length of time rise or fall, but within which it may fluctuate.

§ 47. THE DYNAMICS OF INTEREST.—

Whatever facilitates the production of wealth, also facilitates the production of capital. The inducement required for making loanable capital, therefore, declines with every advance in the productive arts, and with it must decline the rate of interest which the owners of capital can insist upon. This rate has been declining for many years past, is still declining, and it is impossible to foresee where this decline will stop.

On the other hand, the demand for capital depends upon the wages which labour can retain. Where wages are highest, there will be the greatest demand for capital in all its forms, especially in the form of labour-saving appliances. Where wages are low, labour-saving appliances cannot as