

equal value to such steam-pumps, at the end of one or two years, is insufficient for that purpose. For, the labourers who make steam-pumps might also make other wealth which could give them immediate satisfaction, either directly, or indirectly through exchange. Such wealth need not be capital. Ornamental gates, pictures and statues for their houses, or similar things might be made by them.

In order, therefore, that at all times there may be a sufficiency of capital that can be loaned, there must be an inducement beyond the mere return of an equal value of wealth in the future. That inducement is interest. Interest, therefore, is a share in the increased productiveness which the loan of capital confers upon labour for a limited period; it is the reward for making capital in excess of the requirements of exchange, and is not a deduction from the legitimate earnings of labour.

It is true, as is often urged by Socialist writers, that capital unemployed by labour decays uselessly and causes expense to its owners; and it is, therefore, true that the owners of existing capital which cannot be exchanged, benefit as much by lending it as do the borrowers. This argument, however, misses the point; it does not touch the question whether, in the absence of interest, there would be any or a sufficiency of such loanable capital.

The existence of interest is, therefore, justified by the important economic function which it fulfils. Its moral aspect, however, is not less clear. This must again be examined without reference to existing conditions of unfreedom. The question is, can interest be justly demanded by the labourer who made the capital, when the borrowing labourer is free to make his own capital?

First, then, it has already been shown that interest is not a deduction from the legitimate wages of labour; secondly, unless it is denied that every man is entitled to the wealth which his labour makes, it must be admitted that the maker

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CONSUMPTION.  
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§ 50. THE PURPOSE OF PRODUCTION.—

Men produce wealth because they want to consume it; not necessarily in the form in which they make it, but in some form; not necessarily at the time they produce it, but at some time.

The end and purpose of all Production is Consumption. Man's wants and desires are practically unlimited. When he possesses a sufficiency of food, he desires it of better quality; when he has sufficient clothing, he wants some of better style or make. When he has shelter, he wants a house, and thereafter aspires to a palace. The amount of wealth which men can consume and desire to consume, therefore, is limited only by their capacity to produce.

§ 51. THE ACCUMULATION OF WEALTH.

—The primary object of saving wealth is the preservation of it for future consumption.

The amount of wealth which can be saved for any length of time is, however, very small. All wealth tends to decay as soon as made, and most forms of wealth decay rapidly. Animal and even most vegetable foods can be preserved for short periods only. Clothing may be preserved for a few years, houses and furniture for a generation or two. Machinery lasts for a few years only, and becomes obsolete even more quickly. With the exception of some gold, silver and a few other metals of no importance, of jewels, pictures, and a few palaces, scarcely any wealth in existence is one hundred years old. Men live from hand to

mouth. The vast bulk of the wealth existing at any time is the product of one or two, or, at the outside, of the last ten years.

§ 52. THE FALLACY OF SAVING.—

All existing wealth is either undergoing the process of exchange as a preliminary to consumption, or is actually being consumed. None of it is being saved in the sense that any man voluntarily abstains from consuming it for any length of time. (See § 7.) The only way in which the general forms of wealth can be said to undergo the process of saving is by reproduction. Capital used by labour is saved from decay by being consumed and reproduced. It is replaced out of the result of labour. The demand of labour for capital is, however, not unlimited. Capital in the secondary forms of wealth, in excess of the amount required for purposes of production, is, therefore, useless for economic purposes; and as such capital begins to decay at once, its production is a waste of labour. Such capital, i.e. savings, is gradually being lost, without having fulfilled any useful purpose—without having satisfied any want or desire.

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of capital has an exclusive right to it. No one else can have a legitimate right to use it, except on conditions to which the maker of it has freely subscribed. He is within his rights and does not infringe any other man's right, if he exacts all a free labourer is willing to give. In practice, however, and provided that no legal interference curtails the supply of capital, the competition between the owners of loanable capital will always prevent them from claiming more than a small share in the advantage which the borrower obtains.

The existence of interest, therefore, is economically beneficial, and the exaction of interest does not offend against any moral law.