

#### CHAPTER XIV.

#### Natural Instruments of Social Service and Their Capitalization.

At our last conversation I was saying, Doctor, that it is monopoly of the natural instruments of production to which the monopoly of artificial instruments is traceable. In reality, therefore, it is that monopoly, and not monopoly of the artificial ones, which coerces the working interests of the social service market and despoils them. Our socialist friend down the street contends that it is monopoly of both, and I am admitting that in a superficial way he is right. Both are in fact monopolized; and the ill effect of this double monopolization is most keenly felt by hired workingmen, especially at their point of contact with the artificial instruments. But my contention is that under conditions otherwise free, there could be no monopoly of artificial instruments without monopoly of the natural ones. By "otherwise free" I mean in the absence of slavery, patent monopoly laws, or other direct coercion of the person.

Isn't it clear to you?—it seems clear enough to me, at all events,—that with the natural instruments of production and delivery unmonopolized, and with men unenslaved personally, artificial instruments unpatented could not be monopolized. Wouldn't it be altogether impossible? On the other hand, isn't it equally clear that even though men were personally free, and there were no patents forbidding production, yet if the natural instruments of production were monopolized, mo-

nopoly of artificial instruments would inevitably result?

What's the use, then, of insisting that economic coercion of labor interests is due to monopoly of both kinds of instruments? And what's the use of proposing schemes for subjecting both to regulation, or governmentalization, or socialization, or communalization, or whatever else you choose to call it? Why not hit the efficient cause plumb in its solar plexus and knock it out? Why not establish equity with reference to artificial instruments indirectly, by establishing it directly with reference to natural instruments? Why not establish it with reference to the former as the consequence, by establishing it with reference to the latter as the cause?

But our socialistic friend is no fool, Doctor, as you very well know; and if we try to get his point of view, instead of insisting upon putting everything he says to the test of our own point of view alone, I think we shall find a valid reason for what we regard as his misapprehension. I may be mistaken, of course, but I am under the impression that I know his reason, and that on the face of it it is a good one. Some of these days I shall venture to elaborate it a little, but not now. I allude, however, to the fact, upon which he lays great stress, and rightly so, that we are living in a capitalistic age.

Everything that will yield an income is capitalized. It has a selling value, a capitalization, based upon expectations of its power to save the cost of labor. A certain machine, let us say, is capable of producing as much wealth with the labor of one man as ten men could produce without it. It will, therefore, yield to the owner, if he allows it to be used, a certain annual net income over its cost and the wages for operating it; and the expectation of this net return will give

to the machine a selling or capitalized market value in proportion to the rate of commercial interest. If interest is 5 per cent a year, a machine with a potential net yield of \$100 a year will capitalize on the basis of what is called "a 20-year purchase." Don't you see it? Listen. If you had an assured income of a hundred a year, wouldn't you sell out if anybody would buy for a satisfactory price? Well, you wouldn't sell out for one year's purchase, would you? You would want more than a hundred dollars, I guess, for turning over to somebody else your right to a hundred a year. Yes, indeed. All right, but how would you figure out how many years' purchase you ought to get? How would you decide upon what capital sum you ought to have? Of course, of course; that's it. You'd say this is a question of interest on capital, and as interest is 5 per cent, our old rule-of-three will tell me what I ought to have. And so you would figure: As 5 per cent is to 100 per cent, so is \$100 to the capitalized value of my 100-dollar annuity; and by our old rule-of-three that would be \$2,000.

Oh, no doubt, no doubt; other factors would enter into the bargain, and these would make the capitalization somewhat higher or somewhat lower. But approximately, \$2,000 would be the capitalization of your \$100 annuity under a commercial regime of 5 per cent interest; and for similar reasons this would be the capital value of the machine if its working life were approximately twenty years. If the machine were reproducible for less than \$2,000, then to be sure it would sell for less; but in that case, other things being the same, it would yield less than \$100 a year on a 5-per cent interest market. By no possibility would a machine reproducible for a thousand dollars yield as much annually, measured by value, as one reproducible for not less than two thousand dollars, no

matter what the rate of interest might be. The point is, you see, not that the exact relation of 100 to 2,000 exists under all circumstances; but that there does exist, with approximate constancy, a proportion between income and capitalization, the determining factor of which is the rate of interest. Given rate of interest and capital value, and you figure out approximate annual income; given annual income and rate of interest, and you figure out approximate capital value. That's all there is to it—allowing, of course, for risk and repair.

Now, in a commercial regime it is precisely the same with natural instruments—with places or sites, that is, and the resources of this old planet of ours. Here is a piece of land, let us say—a space on the planet, which is the natural roof of a mine, the natural site of a building, or the natural location of a farm. If this bit of land will yield to the owner a certain annual net income over and above the cost of necessary artificial instruments and the wages of necessary labor, won't the expectation of that income give to the land a selling or capitalized value? And won't that capitalized value be determined in the case of the land, precisely as in the case of the machine, by the rate of commercial interest? Surely. If interest is 5 per cent, a piece of land with an expectant net yield of a hundred a year will capitalize on the basis of a 30-years' purchase.

So it makes no difference to the capitalist, don't you observe?—and please do observe it, for here we are at a vital point in the difference between our socialistic friend's industrial philosophy and mine—it makes no difference to the capitalist, I say, whether he owns this land or that machine. His property of both kinds will be approximately identical in capitalized value.

And it would be the same with a slave, if slavery were still a business institution, as it was in

the commercial centers of the South in our school days. Under a 5-per cent interest regime, a slave with an expectation of 20 years of full productive life averaging \$100 a year over and above the expectation of his "keep," would capitalize on the basis of 20 years, which would be \$2,000, precisely as in the case of machines or land.

Don't you see, then, that in a capitalistic era, it makes no difference to the capitalist—accidental differences apart,—whether he owns a \$2,000 machine, which is an artificial instrument of production, or a \$2,000 piece of land, which is a natural instrument of production, or a \$2,000 laborer? Interchangeable on an equality, because they are capable of yielding about the same net income, the essential differences of those essentially different things are obscured by their value identity. We are apt to lose sight of their importance as "use values," to adopt our socialist friend's term, by confining our attention to what he calls their "exchange value." Business men habitually think of them as altogether identical in character because they are interchangeable as commodities; and our socialistic friend stumbles at the same capitalistic hurdle that trips up the business man.

The lesson to be learned from this is that natural instruments are natural instruments whether capitalized or not, that artificial instruments are artificial instruments whether capitalized or not, and that laborers are men whether capitalized or not. Capitalizing them does not change their character, nor their nature; it does not obliterate their essential differences; it does not obviate the necessity of distinguishing between them. We must reason about the planet as man's natural standing place and natural storehouse, about man as the monarch of the planet, and about the artificial products he draws forth from the bosom of the planet,—we must reason, I say, about these

three fundamentally different things with the same recognition of their fundamental differences, when they are capitalized and their essential characteristics obscured by commercial valuation, as if they were owned by three distinct classes of persons and under three distinct kinds of title.

Oh, yes; I have heard all that talk about value being homogeneous, about its being one in volume and indivisible in character. But so is water in a tank one in volume, and homogeneous and indivisible in character; and yet we analyze it into its chemical substances. Why, then, may we not analyze values into their economic substances? Not only can we do this, but we must do it if we are to reason about value.

Just go back to your "Uncle Tom's Cabin" days, Doctor, and think a moment of an old-time plantation down South. There was a capitalistic investment there of something like \$100,000, let us say. As a volume of value it was as homogeneous as any volume of water you ever saw. But analyze it, and what do you find? Part of it was the value of cotton gins, buildings, growing cotton, and so on—the value, that is, of artificial instruments, of capital. Another part was the value of slaves—the value of men, of capitalized labor power. And the rest was the value of the site of the plantation, of its place on the planet—the value, that is, of natural instruments, of land. All this value was homogeneous in the market, all one volume as a body of water is, all indivisible in character. It was all "capital," if you want to speak loosely and after the manner of men of business. But there were in truth three kinds of capital, each absolutely different from either of the others.

Make a test. How could you destroy the values of those three kinds of capital? The value of the artificial instruments, of the capital in the strict sense, could not be destroyed without destroying

the instruments themselves. No mere legislation, at any rate, could wipe out their value, so long as they were useful in social service. But legislation could wipe out the value of either of the two other kinds of "capital," and without impairing its usefulness in the slightest. An emancipation law would destroy the value of the labor "capital;" yet all the labor power of the emancipated men, theretofore having a capitalized value, would remain. So a suitable agrarian law would wipe out the value of the land "capital;" yet the land with all its productive potentialities, theretofore having a capitalized value, would remain.

The common sense truth is, don't you see? that value is not an economic substance at all. As I have frequently pointed out to you in different connections, it is a mere mode of market measurement, similar in essential character to other modes of measurement. The owner of 1,000 feet of lumber doesn't own feet; he owns lumber. If he trades it for so many cubic yards of stone, the substance he gets is not cubic yards, but stone. If he trades that for so many pounds of salt, the substance he gets is not pounds, but salt. And so with value. The owner of \$1,000 worth of lumber owns lumber, not dollars. If he trades it for \$1,000 worth of stone or salt, the substance he gets is stone or salt, and not dollars.

What if he has a note or a bond? Why, the substance he owns in that case is not the value of the note or bond. He simply has a legal right to exact that value measurement of lumber, or stone, or salt, or other commodity, from somebody. If he owns 100 shares of the stock of a corporation, it is not value he owns—not as a substance; what he owns is a certain proportion of the commodities which that corporation has the power to distribute. His proportion will be assigned to him periodically in terms of money; but that will be

simply an order on the social service market for the commodities, up to the money measurement, that he desires. Inasmuch as this assignment is periodical, the shares will have a capitalized value, according to the capitalistic rule of three I have already referred to to-day.

And so it goes, Doctor. The substantial thing, the essential thing, in the social service market, is not values; it is not money terms; it is not dollar marks or other financial symbols—no matter whether they make a homogeneous and indivisible volume of value or not. These things are only devices for measurements in trade. The substantial and essential things are the commodities they measure the value of.

And when we consider what commodities are, we find, as I have explained before and doubtless shall again, that under capitalism they may fall into three classes—capitalized labor, capitalized land, and capitalized capital. But don't allow the fact of capitalism, nor any variety of terminology, to confuse you, Doctor, as to the essential differences of these three things. Capitalized labor drops out with the abolition of slavery, but labor itself does not. Capitalized land would drop out if differential advantages of location were financially equalized by the abolition of land monopoly, but land itself would not. As to capitalized capital, you may refresh yourself with that diagram you made the other day at my suggestion. In the last analysis, capital—the volume of artificial instruments of production—is merely a product of labor, whether free labor or slave, applied to land, whether monopolized land or not.

**Pardon me, Doctor; indulge me a little further. I have not yet wholly explained our socialistic friend's misapprehension as I conceive the explanation to be. I have spoken only of the habit he has in common with business men, of**



confusing the natural with the artificial instruments of social service. This habit is doubtless due very largely to the fact of their interchangeability, and their consequent capitalization in common. Being the same in capitalistic appearance, they seem to him to be in the same category of social effects and causes. And you know how earnestly our friend urges his historical point—the theory that we have passed from the age of feudalism into what he regards as the fundamentally different age of capitalism. He thinks, you will recollect, that in consequence of this change, monopoly of land has become of less importance than monopoly of capital—or at any rate of no greater importance. Here again he appears to me to be under the influence of a capitalistic superficiality. It is really, I take it, first cousin to the other one. Don't you think it about the same? Surely there can't be much difference. If we think of capital (an artificial and reproducible product of land), and of land (the natural and unproducible source of capital), as identical because they are interchangeable in trade, we are not far from the equally mistaken idea that monopoly of capital has come to be of equal or greater social importance than monopoly of land. But, however that may be, let's consider our friend's historical argument.