

CHAPTER IV.

LAND, LABOR, AND CAPITAL.

THREE ELEMENTS OF WEALTH.—DEFINITION OF CAPITAL.—RICH MAN'S MISTAKE.—SOUTH AUSTRALIAN GOVERNOR'S MISTAKE.—EARLIEST FORM OF CAPITAL.—CAPITAL NEEDED BY A FARMER.—RENT.—INTEREST.—PROFIT.

THERE are three things which make a country rich, and only three—**Land, Labor, and Capital.**

In the old times in South Australia we have seen that we had a great deal of **land** which could be made to produce fine crops of corn, and feed sheep and cattle; and there were in it ores of metals and different kinds of stone; but it wanted **labor** to work the ground, to attend to the live stock, and to dig out and use the minerals. Land also wanted **capital** to enable the colonists to make the most of the land and the labor. Capital is money or wealth, which is used to make more money. Money hid in the ground is not capital. Money laid out in ornaments and jewels is not capital. Money spent in wages to servants who wait upon rich people is not capital. Money spent in food that is eaten, and clothes that are worn out cannot be called capital. But money spent in wages to a ploughman who works on a farm, or to a shoemaker who makes boots to sell, is used as capital, for the men who pay the wages hope to get their money back for their work, and a little more for their own **profit.**

A rich man, who was not very wise, but who meant well, when there were very bad times in England, and the poor starving people came begging him for work, employed them at fair wages to dig holes and to fill them up again. He thought this was better than idleness; but the poor men, though they were paid money

to buy food for themselves and their families, felt disheartened and disgusted with the **useless work**, and the money was as much lost to the country as if it had been sunk in the sea. If he had set them to do anything to the land that would have produced something, or have been of use (and you can all imagine a great many such things), the men would have worked much more cheerfully, and he would have got the worth of their labor. Not only that, but if he had got **more than the worth of their labor**, he might have gone on employing more and more men; and his money, instead of getting less, would have become more, through the benefit he did to the poor work-people, and the country besides.

We had an instance of the same kind at the time when Governor Gawler gave people work to build a large jail and a government house. If they had been set to plough and sow wheat, or to plant potatoes, they would have made food more plentiful and cheaper for everybody a year or two sooner, and the price of the wheat and potatoes would have been at that time of much more use to the government than the buildings.

But it is **not only money** that may be called **capital**. Everything may be called capital that enables a man to work to better purpose, or to wait for a return for his work. The very earliest form of capital was the weapons or the traps, by which a hunter got his living out of the wild animals; you can see that the time and trouble he took to make a spear helped him to kill his prey more easily. The same with tools. A man can do little with his ten fingers, but the time spent in making a spade or an axe, or the price paid for it, is well employed.

Capital is, then, in all cases the **produce of labor used to make labor more valuable**. In the shape of tools and machinery, it makes each man's labor produce more; in the shape of wages, it employs a great many people who have not enough capital of their own to wait till they can make and sell what they produce

for money. These workmen depend on their weekly wages for the support of themselves and their families, but somebody must provide the capital to pay the wages.

A day laborer, or an artisan, who gets his pay for a day's or a week's work, needs no outlay except for the tools of his trade; but though these may be only a spade or an axe, they are really capital. A farmer beginning to cultivate must have a great deal more than this. He must have **horses, ploughs, and seed corn, and money** to pay wages to anyone whom he needs to help him; and what is more, he must have money to live on till he reaps his crops, and gets the money for them. When he sells his crops, he expects that the price will pay him not only for his work, but for his capital. He does not, of course, expect to get his capital all back on the first crop, or the second, or the third, but he expects to get as much more than payment for his work as will pay **interest** on the money laid out on his farm.

You know that when a man builds a house, and lets it, he expects **rent** for the money it has cost; and if he buys land, and lets it, he expects rent for that too. Now, the rent paid for the use or loan of money is called **interest**. And if the money is spent in wages in any way of business, the man who pays the wages expects a **profit**. Rent is thus expected for houses and land, interest for money lent, and profit on wages paid.

LAND, LABOR, AND CAPITAL, FRIENDLY TO EACH OTHER.—
INVENTION, THE MOST VALUABLE KIND OF LABOR.—
RIDLEY'S REAPING-MACHINE HELPED US TO HAVE A LARGE
SURPLUS FOR EXPORT.—INVENTION ESPECIALLY GOOD FOR
WORKING PEOPLE.

All the three things which make a country rich—land, labor, and capital—are friendly to one another. Land is useless without labor and capital. Capital is useless without land and labor. Labor depends on

land and capital for its wages. Capital, when it is abundant, turns to the inventing of new plans and machinery to produce more good things at a lower price, so that more people are better served.

Invention is another great means by which a country increases in wealth and in comfort. We saw a remarkable instance of that in the early days of the colony. When everybody was busy farming, putting in wheat early and late in the season, there soon came a great difficulty. The crops ripened all at the same time, and there were few people in the colony, so that reapers and threshers could ask almost what wages they pleased, for the farmers could not let the corn shake out with the wind or rot on the ground. And whatever wages were paid for this necessary work, the price of corn was no higher, because there was much wheat in the colony, and few eaters. At the very time that reapers got such high wages, wheat was sold in Adelaide at 2s. 2d. the bushel. Several people tried to find out some sort of machine to reap the corn; and **Mr. John Ridley**, a miller, succeeded in contriving one that would not only reap it, but thresh the wheat out of the ears at the same time as it cut off the heads.

He did not do it for his own profit, but he gave the invention to the people of South Australia, and no one thing ever did them so much good. If Mr. Ridley had had no money to spend in materials to try his experiments, and if he had been obliged to spend all his time in earning wages to live on, he might not have been able to serve us so well, for invention needs not only **cleverness** (which is a valuable form of labor), but **capital**, or money enough to spend on trying a new thing over and over again, and for the inventor to live on till it is complete.

The men who had been used to reap and to thresh grumbled at first at this machine, because it took away their best chance of earning large wages in all the year; but through the use of this clever invention

more acres of land are ploughed and sown, and far more laborers are employed than without it. It enables South Australia to grow so much more corn than the people in the colony can use, that there is a very large **surplus**, or what is over and above the home consumption, to export to the other colonies, and even as far as to Great Britain itself. Now, if every man, woman, and child in the colony were to turn out at harvest time, they could not reap half the crops that ripen in our fields, and what they did reap would be done at far greater cost.

Inventions are not only a great source of wealth to the country, but they are a great benefit to the working people in it. They need intelligent people to work with them, and they make everything cheaper which they help them to produce. The man who drives a reaping-machine gets better wages than a reaper could get. The girl who works with a sewing-machine earns far more than the needlewoman could do before the machines were invented. And what is quite as important, the wheat is grown for less money, and the needlework done cheaper, for those who want them.

FACILITIES FOR TRANSPORTING PRODUCE.—ROADS, PORTS, RAILWAYS.—FOREIGN TRADE—WHAT WE SHOULD DO WITHOUT IT.—EXCHANGE OF COLONIAL PRODUCE FOR ENGLISH MANUFACTURED GOODS.—FOREIGN TRADE DEPENDS ON SURPLUS OF PRODUCE.—FIXED CAPITAL DEPENDS ON SURPLUS.—WHAT IS FIXED CAPITAL?

We must now explain a very important way, not of making the land produce more, but of making what it produces more valuable. In a new colony we have a good opportunity of seeing, in a short time, what in old countries has been spread over perhaps hundreds of years; so that it should be comparatively easy to teach colonial children what are the real causes of a country's prosperity. Going back to the old times, then, the first roads were wherever people chose to take their way, but gradually one track became

preferred to another as easier and shorter. But when wagon-loads of corn and other things cut up the natural roads, till they became so heavy that it sometimes cost the price of one bushel of corn to take two to market, there was a necessity for **made roads**, metalled with broken stone. A good road was as valuable to the farmer as a heavier crop on his land, for it saved his time, and his horses and bullocks, and his carts. A bridge across a river, or a jetty that would allow shiploads of corn and wool to go to sea at once, and save twenty miles of land carriage, made all the farmers in the neighborhood much better off. As the country got settled, the common roads were found to need a great deal of repair, and gradually, for important lines of traffic, **railroads** have taken their place, which, though very dear to make at first, carry goods and passengers more cheaply by steam power along smooth iron rails than horses can do on ordinary roads. The great crops of wheat grown on what are called the Northern Areas would not have been grown at all but for the railways taking them cheaply to the shipping port.

Now we must explain what should be done with what we have called the surplus produce, and this leads me to the important question of **foreign trade**. If there had been no shipping going to and from South Australia to take away what we had to spare, and bring in exchange what we needed, what would have happened? Some of the colonists would have tried to grow tea and coffee and sugar; some would have had to make wool into garments, and to grow cotton for lighter stuffs; some must have dug the iron, which is so abundant in the hills, and made it into tools of all kinds; some would have had to make crockery and glass; and some, perhaps, to plait straw for hats. We should have dug no more copper than we needed for our kettles and our money; when we had enough meat and wool for our own use, we should not have cared for increasing our live stock; nor should

we have grown corn to rot in the fields. And, besides, if so many of our people were employed in making all these troublesome things, there would not have been many to make the millions of acres of land in Australia produce what it was especially fitted for. Now, in England what are called **manufactured goods** are made very cheaply, by the use of the most ingenious machinery, and men and women are brought up from the time they are children to **do one kind of thing very well** indeed. So that it is cheaper for us to **import** calico and crockery and iron goods than to make them; and if we send to England the wool and wheat which we do not need, we can get in return those things which we do need; and, in spite of the distance, we make a very good bargain. And this employs ships and sailors and people at the seaports.

Now, I must explain a very important thing. If we only grew as much corn and wool and copper as supplied ourselves, we would be in exactly the same condition as if no ships came to and from Europe, for people will not send us manufactured goods unless we can pay for them, and **if we have no surplus produce to sell, we can have no money.** It is because we have had every year so large a surplus of good things produced which other people want and are willing to pay for, that this colony has grown every year richer and more comfortable; for these surplus goods not only pay for the foreign manufactured goods which we need, but there is more money got in payment, which is spent on buildings, fences, roads, and other permanent improvements all over the colony. This is called **fixed capital**, for it cannot be carried out of the country like money or goods, but is of very great value to all the people in the country. All the things that you see around you that have been made in South Australia since the white man first set his foot in it, have been really paid for by the price of what the land

has produced beyond what the people in it have eaten and drunk and worn out.*

EFFECTS OF GENERAL EXTRAVAGANCE.—MONEY MAY BE SPENT UNPRODUCTIVELY OR REPRODUCTIVELY.—OWNER'S FAIR PROFITS IN A LARGE FACTORY.—VULGAR ERROR THAT EXTRAVAGANCE IS GOOD FOR TRADE.

If the people in South Australia generally were to get **extravagant**—that is to say, if the workmen were to spend **all their wages**, the clerks **all their salaries**, and the business men **all their profits**, without making the country produce more, the country would become poorer and poorer every year. Everyone who puts money into the Savings' Bank, or spends it in making his land produce more, helps to make South Australia richer. Everything that makes it cheaper to get the wheat and wool to England, or cheaper for us to get English goods in return, helps to make the country richer; and for this reason the **telegraph**, which lets us know the prices at which we can buy and sell every day, saves both time and money.

All the money of rich men is not employed as capital; it is only that part of it which is spent **reproductively** (or so as to come back to them with a profit) which can be so called. What they spend on their own personal comfort and show is not reproductive. In half-civilized countries, where kings have despotic power, much money is hidden out of sight, in coin or in jewels, that can be easily carried away, because the appearance of wealth is dangerous to the life and liberty of the possessor. **In this form, however, wealth is not capital.** If a rich man gives his money

* The railway lines and other public works are made with borrowed money, but our Australian loans are incurred on the security of the surplus which will be produced out of the land in future; and as population increases the value of the railways, &c., will probably become much greater than the money expended on their construction.

away in charity, he may do good, but he may do a great deal of mischief; for though there are many unfortunate people who ought to be assisted by their richer neighbors, it should be done with judgment, and not without inquiring into the circumstances of each case. If he lends his money at interest—that is, so much each year for the use of it—to industrious, careful people, who will make good use of it, he often does much good. If a rich man uses his money to employ people to make something that every one needs cheaper and better, he does a great deal of good, and generally makes himself richer, too. It is not greedy or selfish in a man to employ others to make what he can sell at a profit. If he did not make the profit, he would have no motive to give the steady employment to his work-people. In any line of business, when the profits appear to be large, some new person is sure to start in it; and this either raises the wages of perhaps hundreds of people who make the article; or lowers the price of it for the thousands of people who want to buy it.

In some great factories—say a cotton factory—where hundreds of work-people are employed, the owner must spend a great deal of money in buildings, in machinery, and in materials for the product; and also an immense sum of money every week in wages, whether he sells the goods that week or not. Now, let us see what the owner ought to get out of the price of the calico he sells. He should get enough to pay **rent** for his buildings, and the **interest** on the money spent for machinery; some **profit**, in addition to his outlay in wages paid to the workmen; something to make up for the risk of bad debts; and also some **wages to himself** for his time and labor in **superintending** the whole operations. And to all of these he is as much entitled as the workmen are to their week's wages.

And by this means he does the greatest possible good to the whole community with his money. It is

very common to say of extravagance that it is good for business, and that spending money and circulating it makes a country rich; so that a bridge that no one wants, or a railway where there is little or no traffic, is at all events good for the work-people employed on it. But when you come to read history, you will see that every country becomes poor and miserable when its rich people spend all they have on pleasure and luxury and amusements. When all the wealth of the known world was poured into Rome, Rome grew poorer, because it was only wasted. And in the colonies we must recollect that all our railways have to be paid for, and if they are not profitable, we had better leave them alone.

