

# An Economic Exploration

*For this installment of the "Old Timers Series," the editors of THE FREEMAN turn again to The Public, going back to the issue of November 22, 1902, for an article by LOUIS F. POST, brilliant editor of that organ of liberal opinion which truly described itself as "A National Journal of Fundamental Democracy and a Weekly Narrative of History in the Making." Old and new readers alike should find Mr. Post's "exploration" a delightful journey indeed.*

★ To know how a loaf of bread is made and distributed is to know more of political economy than all the text books and all the statistics can teach. That was Emerson's idea, and Emerson was right. But his idea does not imply that one must know all the chemical and mechanical processes. They are manifold and complex, and it would be impossible for one head, large or small, to hold so much. Even if there were a human brain of this extraordinary capacity, it would very likely be incapable of intelligently using the knowledge it held. Fortunately, therefore, what is necessary is not comprehensive knowledge of technical processes, which is impossible, but intelligent apprehension of familiar economic phenomena, which is easy.

## I.

A child who knows how to get candy can be inducted into the economic mysteries.

Isn't candy got at the store with pennies? So is bread. A child can understand that. But the same thing is true of every thing else with which the human family satisfy their material wants. Whether their wants be of the stomach for food, of the body for clothing and shelter, of the taste for superior qualities of food and clothing and shelter, or of any of the desires for any other of the infinite variety of material things, those wants are all satisfied by buying objects as candy and bread are bought—by buying them, so to speak, at the store with pennies. In civilized society every material desire can be satisfied as it arises, simply by giving money for the things that satisfy it.

But why is that true? Why do pennies so easily fetch us candy or bread or other good things? They wouldn't if we were not living in civilized society. On a desert island no amount of money could procure satisfaction for even the least of human desires. It cannot be, then, that money is the final explanation of economic processes. It is evidently only a superficial expression of something more fundamentally characteristic of civilized life.

## II.

What that thing is should appear upon a moment's reflection. If money will procure satisfaction for any want, in civilized society where trade is a universal phenomenon, and only for a few in savage society where there is but little trade, and none at all on a desert island where there is no trade, then money must be merely a trade token. It must be something, that is, which passes current among civilized people not because anyone wants it for itself, but because it will buy other things—things that are wanted for themselves. And isn't this a fact which every intelligent man knows? It is not money but trade that enables the child to buy candy, and his mother to buy bread, or his father to buy a house. If the child's penny couldn't serve the storekeeper in trade when he goes to buy what he wants for himself, he wouldn't take it in trade when he offers to sell candy to the child. He does not want it except to trade it again. It is simply a token whereby he swaps what he sells for it for what he buys with it. And this is true of all money. The economic phenomenon, therefore, which is more fundamental than money, without which money would be of no use and the object of no one's desire, is trade.

Of course we know that trade consists in swapping things. But why is anything swapped for another thing? Why are things traded? You can't trade the free air. You can't trade the waters of the great lakes. There are kinds of things, certainly, which cannot be traded. Yet there are other kinds of things in great abundance and bewildering variety which not only can be traded, but are in continual process of trade. Why? What is it that distinguishes the tradeable from the untradeable?

Isn't it obviously value? Things having no value are not tradeable, but things having value are tradeable.

## III.

As value is commonly expressed in terms of money, it being customary to say of a valuable thing that it is worth so many pennies or so many dollars, it might seem that we had now got back again to money. But that is not the fact. Though value is expressed in terms of money, it does not depend upon money. Things would have value all the same even if there were no money to express their values. Money bears much the same relation to value that the alphabet bears to language or to thought. It furnishes convenient symbols for expression, but is not the thing expressed.

Value is the expression of a comparison. As exemplified in trade it is the name of the ratio at which tradeable things are exchanged. If, for illustration, one loaf of bread exchanges for five sticks of candy, the ration of bread to candy is as one to five. It follows that if you give one penny for your stick of candy you

must give five for your bread; or, expressing these values in terms of money, that bread loaves are worth five pennies and candy sticks are worth one penny.

Yet it is value, and not its capability of expression in terms of money, that makes things tradeable. The immediate cause of trade is value.

It cannot be, however, that value is the final explanation of economic processes. There must be something still more fundamental. To say that value is the economic base, is almost as weak as to say that money is. Value is not economically self-existent. It in turn must have an economic cause.

#### IV.

The cause of value is serviceability, in the restricted sense of capability of serving a human purpose. Unless an object is capable of ministering to some human desire, unless, that is, it possesses the quality of serviceability, it cannot exhibit the phenomenon of value. Value rests upon serviceability.

But serviceability plus something else. For the air is incalculably serviceable, the waters of the great lakes and of the oceans are immensely serviceable, the sunlight is indispensably so; yet none of these have value. It will be observed, however, that while they are serviceable they are not difficult to get. They are not scarce. On the other hand, serviceable objects which are difficult to get, serviceable objects which are scarce, invariably exhibit value. The cause of value, then, is serviceability in a condition of scarcity. But as normal desire for scarce things is not because they are scarce, but because they are serviceable, the inciting cause of value is not scarcity, but serviceability.

True, however, as this obviously is, we have not yet reached the end of our economic exploration. For serviceability, though the inciting cause of value, is itself an effect of anterior causes. If bread were not valuable it wouldn't be tradeable. If it were not serviceable it wouldn't have value. But if it didn't exist it couldn't be serviceable. So its serviceability, its value, and its tradeability, depend upon its existence. This seems rather obtrusively obvious, but the most obvious facts are sometimes ignored.

#### V.

Now, bread does not exist naturally. It is an artificial thing. And that is true of the great mass of tradeable objects. They are artificial. Some tradeable objects, it is true, are not artificial; but these are tradeable for a secondary reason—because they are capable of securing in some way service from articles that are artificial. It is the serviceability that is embodied in artificial objects that makes anything tradeable. We find, therefore, that beneath all the economic phenomena we have thus far explored—beneath money, trade, value and serviceability,—beneath all these in the sense of being their cause, are the artificial objects which possess the quality of serviceability, to which value therefore attaches in conditions of scarcity, which are consequently tradeable, and which may for that reason be bought with money.

What technical name we give to such objects is of

no moment, provided we always use the same name to designate those objects, and use it for nothing else. Then why not distinguish them as "wealth," which is a good old economic term? Using the term strictly in that sense, we are able to say that all the economic processes thus far passed in review are caused by wealth.

#### VI.

But the end is not yet, for wealth is not self-existent. Consisting of artificial objects it cannot be. As the term "artificial" implies, such objects are produced (which means drawn forth) by human art. If man didn't exist, they would not appear. If man didn't labor, they would not come forth. Without human exertion of brain and brawn, there would be no wealth. Wealth, therefore, is properly called a labor-product. So we trace all economic processes back to labor.

Every material thing is brought to us by human labor—our own labor or some one else's; and if at any stage in the process labor were to stop, our desires would forthwith begin to go unsatisfied. At first we should have to stint ourselves, perhaps, only a little; but soon a little more, and then more, until almost every want would plead in vain for even the least satisfaction. The whole process of production and distribution is a process of labor. The raw materials are produced by labor; the tools and machinery, simple and complex, little and big, are made and repaired and remade by labor; the transportation facilities are constructed and operated by labor; the factories and store buildings are erected and utilized by labor.

In the loaf of bread there are the labor of the farmer who raises and harvests grain, and of the miller who grinds it; of the mechanics who make the tools and machinery for both farmer and miller, and of those who make the tools and machinery for these mechanics; of the miner who unearths the metals and the woodmen who cut the lumber; and then again of those who make miners' and lumbermen's tools; of the labor that builds railroads and the labor that operates them; of the labor of the baker and that which equips bakeries; of the labor of the bankers and bankers' clerks in giving mobility to capital, and of that which constructs and cares for their buildings, as well as that which through other complexities of trade furnishes them with stationery and with business furniture; and so on to the labor that slices the loaf at last and that which produces the knife with which it is sliced. From beginning to end it is all a labor process. Nor is it the labor of the past that keeps the process going, but the labor of the present.

The wealth we buy with money, then, for the satisfaction of our desires, is in the last analysis the product of current human labor.

#### VII.

We have now reached a final explanation. Beginning with the economic phenomenon next at hand, and therefore most familiar, that of buying satisfactions with money, we account for it by the phenomenon known as trade, and for that in turn by the phenomenon of value. Value is found to rest upon serviceability, and service-

ability upon artificial objects, while artificial objects come from labor. It is as if in making a subterranean exploration, we had first laid off the surface soil and then cut through the layers of different material, one after another, down to rock bottom. For human labor is the rock bottom of economic research. It supports all the superincumbent layers—wealth, serviceability, value, trade and money.

Unlike the other economic phenomena through which we have picked our way, labor is economically self-existent. It has no anterior cause on the economic plane. For labor is a technical term descriptive of the human family producing satisfactions for human desires. And while that phenomenon is indeed an effect (as what short of Omnipotence is not?), yet its cause lies beyond the field of economic inquiry. It is not an effect of anterior economic causes. On the economic plane it is itself the cause of all effects.

### VIII.

Nevertheless, labor cannot create. It cannot make something out of nothing. It cannot say, "Let there be bread!" and there is bread.

So far from creating, labor has only the power to produce. That is, it can draw forth artificial objects by so adapting the matter and forces which nature supplies as to fit them for serving human purposes. It can change the shape and place of natural things.

For instance, it can produce coal by changing its shape from the mass in the vein to broken pieces in the mining chamber; it can still further produce it by changing its place from the bottom of the mine to the mouth; it can produce it further yet by changing its place from the mouth of the mine to the coal bin, and finally to the stove or grate of the distant consumer. Or, it can produce houses by changing the forms of trees, rock, sand, clay and ore, and marshalling them at one point and in one form or shape from many distant points and different shapes.

But labor can do none of these things without natural resources. Tools it does not need. For labor, considered as a cooperative whole, makes all its own tools. They are artificial objects—wealth. But it does need raw materials and working places upon the earth. To use the inclusive economic term, it does need "land." Land is the one thing, the only thing, that labor must have. Land is the sole condition of all the economic processes that labor generates. For mining, it must have access to mining land; for farming, to agricultural land; for urban building, to urban land sites; for railroading, to rights of way over land; for sailing, to harbors, and so on. Labor without land, even if life were possible, would be utterly powerless to generate the economic processes. On the other hand, land without labor is unproductive of artificial satisfactions. It only furnishes the natural storehouse and workshop for labor, leaving labor to do the rest. Though labor generates the economic processes, it must have access to land to do so. And land it cannot produce. Land is not an artificial object, but a natural one. But with access to land, labor produces in abundance all

those artificial objects having value, which we have called "wealth."

Labor is fundamental and land is fundamental. They are the prime factors of all economic processes, labor being the initial or active force, and land the responsive or passive condition. Thus labor produces wealth from land, and land yields wealth to labor.

### IX.

Land, Labor and Wealth, then, are the three subjects of first importance in all economic problems. Land passively yields matter, space, and energy to the knowledge and skill of man. The active application of that knowledge and skill to those yielding elements is Labor; and its product—the natural matter and energy so shaped and adjusted as to satisfy the desires that stirred the laborer to activity—is Wealth.

From this starting point the steps we have taken may be retraced, and the way be more minutely surveyed. Back to money and its functions, through all the mazes of serviceability, value and trade, it is now possible to go, with a certainty born of confidence in familiarity with the route. We have discovered the most fundamental of elementary principles, and in their light problems otherwise perplexing may be easily and correctly solved.

---